NEW ISSUE

Ratings: Fitch "AAA"; Moody's "Aaa"; Standard & Poor's "AAA"
See "MISCELLANEOUS—Bond Ratings" herein.

In the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Bond Counsel to the State, based on an analysis of currently existing laws, regulations, decisions and interpretations, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations, but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations. Bond Counsel is also of the opinion that interest on the Bonds is exempt from State of Utah individual income taxes under currently existing law. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "LEGAL MATTERS—Tax Exemption" herein.

$407,405,000

State of Utah

General Obligation Bonds, Series 2003A

The $407,405,000 General Obligation Bonds, Series 2003A, (the "Bonds") are issuable by the State of Utah as fully–registered bonds and, when initially issued, will be in book–entry form, registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, NY ("DTC"), which will act as securities depository for the Bonds.

Principal of and interest on the Bonds (interest payable January 1 and July 1 of each year, commencing January 1, 2004) are payable by the Utah State Treasurer, Salt Lake City, Utah, as Paying Agent, to the registered owners thereof, initially DTC. See "THE BONDS—Book–Entry System" herein.

The Bonds are subject to optional redemption prior to maturity. See "THE BONDS—Redemption Provisions" herein.

The Bonds are general obligations of the State of Utah, for which the full faith, credit and resources of the State of Utah are pledged for the payment of principal and interest, and for which payment a tax may be levied, without limitation as to rate or amount, on all property in the State of Utah subject to taxation for State of Utah purposes. See "THE BONDS—Security For The Bonds" herein.

Dated: Date of Delivery[1]

Due: July 1, as shown below

Due July 1	CUSIP 917542	Principal Amount	Interest Rate	Yield or Price	Due July 1	CUSIP 917542	Principal Amount	Interest Rate	Yield or Price
2005…..	LQ 3	$ 1,095,000	2.00%	1.10%	2011…..	LW 0	$15,100,000	5.00%	2.66%
2006…..	LR 1	7,775,000	5.00	1.25	2012…..	LX 8	52,575,000	5.00	2.79
2007…..	LS 9	12,825,000	5.00	1.60	2013…..	LY 6	55,300,000	5.00	2.92
2008…..	LT 7	59,300,000	4.00	1.90	2014…..	LZ 3	18,500,000	5.00	3.05
2009…..	LU 4	61,125,000	4.50	2.16	2015…..	MA 7	16,000,000	5.00	3.17
2010…..	LV 2	50,025,000	5.00	2.46	2016…..	MB 5	57,785,000	5.00	3.33

The Bonds were awarded pursuant to competitive bidding received by means of the Bloomberg and the Parity electronic bidding systems on Wednesday, June 11, 2003 as set forth in the OFFICIAL NOTICE OF BOND SALE (dated May 28, 2003 and amended on June 10, 2003) to Merrill Lynch & Co., New York, NY, at a "true interest rate" of 2.83%.

Zions Bank Public Finance, Salt Lake City, UT, acted as Financial Advisor.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire OFFICIAL STATEMENT to obtain information essential to the making of an informed investment decision.

This OFFICIAL STATEMENT is dated June 11, 2003, and the information contained herein speaks only as of that date.

[1] The anticipated date of delivery is Thursday, June 26, 2003.

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This OFFICIAL STATEMENT does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of, the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained herein, and if given or made, such other informational representations must not be relied upon as having been authorized by either the State, Zions Bank Public Finance, the successful bidders(s) or any other entity. All other information contained herein has been obtained from the State, DTC and from other sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this OFFICIAL STATEMENT nor the issuance, sale, delivery or exchange of the Bonds, shall under any circumstance create any implication that there has been no change in the affairs of the State since the date hereof.

The Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon exemptions contained in such act. Any registration or qualification of the Bonds in accordance with applicable provisions of the securities laws of the states in which the Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof.

These Bonds have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this OFFICIAL STATEMENT. Any representation to the contrary is a criminal offense.

In connection with the offering of the Bonds, the successful bidder(s) may engage in transactions that stabilize, maintain, or otherwise affect the price of the Bonds. Such transactions may include overallotments in connection with the purchase of Bonds, the purchase of Bonds to stabilize their market price and the purchase of Bonds to cover the successful bidder(s)'s short positions. Such transactions, if commenced, may be discontinued at any time.

Cautionary Statements Regarding Forward–Looking Statements. **Certain statements included or incorporated by reference in this OFFICIAL STATEMENT constitute "forward–looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used, such as "plan," "project," "forecast," "expect," "estimate," "budget" or other similar words.**

The achievement of certain results or other expectations contained in such forward–looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future resulting performance or achievements expressed or implied by such forward–looking statements. The State does not plan to issue any updates or revisions to those forward–looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

This OFFICIAL STATEMENT has been designed to conform, where applicable, to the guidelines presented in Disclosure Guidelines for State and Local Government Securities, published by the Government Finance Officers Association in 1991, as revised.

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OFFICIAL STATEMENT RELATED TO

$407,405,000

State of Utah

General Obligation Bonds, Series 2003A

INTRODUCTION

This introduction is only a brief description of the Bonds and the security and source of payment for the Bonds and is qualified by more complete and detailed information contained in the entire OFFICIAL STATEMENT, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire OFFICIAL STATEMENT. The offering of the Bonds to potential investors is made only by means of the entire OFFICIAL STATEMENT.

See the following Appendices attached hereto and incorporated herein by reference: APPENDIX A—BASIC FINANCIAL STATEMENTS OF THE STATE OF UTAH FOR THE FISCAL YEAR ENDED JUNE 30, 2002; APPENDIX B—DEMOGRAPHIC AND ECONOMIC DATA REGARDING THE STATE OF UTAH; APPENDIX C—PROPOSED FORM OF OPINION OF BOND COUNSEL; APPENDIX D—PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING and APPENDIX E—BOOK–ENTRY SYSTEM.

When used herein the terms "Fiscal Year ___" and "Fiscal Year End[ed][ing] June 30, ___" shall refer to the year ended or ending on June 30 of the year indicated and beginning on July 1 of the preceding year.

The Bonds And The Issuer

This OFFICIAL STATEMENT, including the cover page, introduction and appendices, provides information in connection with the issuance and sale by the State of Utah (the "State") of its $407,405,000 General Obligation Bonds, Series 2003A (the "Bonds"), initially issued in book–entry only form.

Security

The Bonds are general obligations of the State, for which the full faith, credit and resources of the State are pledged for the payment of principal and interest, and for which payment a tax may be levied, without limitation as to rate or amount, on all property in the State subject to State taxation. The Acts, as defined under the caption "THE BONDS—Authorization And Purpose Of The Bonds," provide that in each year after issuance of the Bonds, and until all outstanding Bonds are retired, there is levied a direct annual tax on all real and personal property within the State subject to State taxation, sufficient to pay: (a) applicable bond redemption premiums, if any; (b) interest on the Bonds as it becomes due; and (c) principal of the Bonds as it becomes due. The Acts further provide that the direct annual tax imposed under the Acts is abated to the extent money is available from sources other than ad valorem taxes in the sinking funds created by the Acts for the payment of Bond interest, principal, and redemption premiums, if any. See "FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—Property Tax Matters" below.

The State expects that moneys will be available from sources other than ad valorem taxes in amounts sufficient to pay principal of and interest on the Bonds when due, thereby enabling the State to deposit such moneys into the sinking funds and abate the ad valorem taxes levied for that purpose. See “THE BONDS—Security For The Bonds” below.

Authority And Purpose

The Bonds are authorized pursuant to resolutions (the “Resolutions,” as described more particularly under “THE BONDS—Authorization And Purpose Of The Bonds” below) of the State Bonding Commission (the “Commission”) and pursuant to the Acts to provide funds to refund a portion of the State’s outstanding general obligation bonds and to pay a portion of the costs of the State’s capital facilities and highway construction or reconstruction projects and to pay costs and expenses incident to the issuance of the Bonds. See “THE BONDS—Estimated Sources And Uses Of Funds” and “Plan Of Refunding” below.

Redemption Provisions

The Bonds are subject to optional redemption prior to maturity as described more fully under the heading “THE BONDS—Redemption Provisions” below.

Registration, Denominations, Manner Of Payment

The Bonds are issuable only as fully–registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”), New York, NY. DTC will act as securities depository of the Bonds. Purchases of Bonds will be made in book–entry form, in the principal amount of $5,000 or any whole multiple thereof not exceeding the amount of each maturity, through brokers and dealers who are, or who act through, DTC Direct Participants. Beneficial Owners of the Bonds will not be entitled to receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the Bonds. “Direct Participants,” “Indirect Participants” and “Beneficial Owners” are defined under “APPENDIX E—BOOK–ENTRY SYSTEM” below.

Principal of and interest on the Bonds (interest payable January 1 and July 1 of each year, commencing January 1, 2004) are payable by the Utah State Treasurer (the “State Treasurer”), as Paying Agent (the “Paying Agent”), to the registered owners of the Bonds. So long as Cede & Co. is the sole registered owner, as nominee of DTC, it will in turn remit such principal and interest to its Direct Participants, for subsequent disbursements to the Beneficial Owners of the Bonds, as described under “APPENDIX E—BOOK–ENTRY SYSTEM” below.

So long as DTC or its nominee is the sole registered owner of the Bonds, neither the State, nor the successful bidder(s) will have any responsibility or obligation to any Direct or Indirect Participants of DTC, or the Persons for whom they act as nominees, with respect to the payments to or the providing of notice for the Direct Participants, Indirect Participants or the Beneficial Owners of the Bonds. *Under these same circumstances, references herein and in the Resolutions to the “Bondowners” or “Registered Owners” of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.*

Transfer Or Exchange

No transfer or exchange of any Bonds shall be required to be made (i) during a period beginning on the Record Date immediately preceding any interest payment date and ending on such interest payment date or (ii) with respect to any redemption of any Bond, after such Record Date as shall be specified by the Bond Registrar in the notice of redemption. Record Date means (i) in the case of each interest payment date, the Bond Registrar’s close of business on the 15th day of the month next preceding such interest payment date or, if such day is not a regular business day of the Bond Registrar, the next preceding day which is a regular business day of the Bond Registrar and (ii) in the case of any redemption of any Bond, such Record Date as shall be specified by the Bond Registrar in the notice of redemption, provided that such Record Date shall not be less than 15 calendar days before the mailing of such notice of redemption.

Tax–Exempt Status

In the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Bond Counsel to the State, based on an analysis of currently existing laws, regulations, decisions and interpretations, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations, but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations.

Bond Counsel is also of the opinion that interest on the Bonds is exempt from State of Utah individual income taxes under currently existing law. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

See "LEGAL MATTERS—Tax Exemption" below for more complete discussion.

Professional Services

As of the date of this OFFICIAL STATEMENT, the following have served the State in the capacity indicated in connection with the issuance of the Bonds:

Independent Auditors

Utah State Auditor
State Capitol Building Rm 211
Salt Lake City UT 84114
801.538.1025—Fax 801.538.1383
austonjohnson@utah.gov

Bond Counsel

Ballard Spahr Andrews & Ingersoll LLP
201 S Main St Ste 600
Salt Lake City UT 84111–2215
801.531.3000—Fax 801.531.3001
wadeb@ballardspahr.com

Bond Registrar and Paying Agent

Utah State Treasurer
State Capitol Building Rm 215
Salt Lake City UT 84114
801.538.1042—Fax 801.538.1465
rellis@utah.gov

Disclosure Counsel

Chapman and Cutler
50 S Main St Ste 900
Salt Lake City UT 84144
801.533.0066—Fax 801.533.9595
scott@chapman.com

Financial Advisor

Zions Bank Public Finance
215 S State St, Ste 700
Salt Lake City UT 84111–2336
801.524.2100—Fax 801.524.2109
eric.pehrson@zionsbank.com

Conditions Of Delivery, Anticipated Date, Manner, And Place Of Delivery

The Bonds are offered, subject to prior sale, when, as, and if issued and received by the successful bidder(s), subject to the approval of legality by Ballard Spahr Andrews & Ingersoll, LLP, Bond Counsel to the State, and certain other conditions. Certain legal matters will be passed on for the State by its Attorney General. Certain matters will be passed on for the successful bidders by Chapman and Cutler, as

Disclosure Counsel to the State. It is expected that the Bonds, in book–entry form, will be available for delivery in New York, NY for deposit with DTC, on or about Thursday, June 26, 2003.

Continuing Disclosure

The State will enter into a Continuing Disclosure Undertaking (the "Undertaking") for the benefit of the Owners of the Bonds to send certain information annually and to provide notice of certain events to certain information repositories pursuant to the requirements of paragraph (b)(5) of Rule 15c2–12 (the "Rule") adopted by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and other terms of the Undertaking, including termination, amendment and remedies, are set forth in the proposed form of undertaking in "APPENDIX D—PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING" below.

The State is in compliance with each and every undertaking previously entered into by it pursuant to the Rule. A failure by the State to comply with the Undertaking will not constitute a default under the Resolutions and Owners of the Bonds are limited to the remedies provided in the Undertaking. See "APPENDIX D—PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING–Consequences of Failure of the State to Provide Information" below. A failure by the State to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

See "APPENDIX D—PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING" for the proposed form of Undertaking.

Basic Documentation

The "basic documentation" which includes the Resolutions, the closing documents for the Bonds, and other documentation with respect to the Bonds, and which establishes the rights and responsibilities of the State and investors, may be obtained from the persons indicated below under the heading "Contact Persons."

Contact Persons

As of the date of this OFFICIAL STATEMENT, the chief contact person for the State concerning the Bonds is:

Edward T. Alter, Utah State Treasurer, and
Secretary of the State Bonding Commission
ealter@utah.gov
State Capitol Building Rm 215
Salt Lake City UT 84114
801.538.1042—Fax 801.538.1465

As of the date of this OFFICIAL STATEMENT, additional requests for information may be directed to the Financial Advisor:

D. Kent Michie, Vice President, kent.michie@zionsbank.com
Carl F. Empey, Vice President and Sales Manager, carl.empey@zionsbank.com
Eric John Pehrson, Vice President, eric.pehrson@zionsbank.com
Zions Bank Public Finance; 215 S State St Ste 700
Salt Lake City UT 84111–2336; 801.524.2100—Fax 801.524.2109

Public Sale/Electronic Bid

The Bonds were awarded pursuant to competitive bidding received by means of the **Bloomberg** and the **Parity** electronic bidding systems on Wednesday, June 11, 2003 as set forth in the OFFICIAL NOTICE OF BOND SALE (dated May 28, 2003 and amended on June 10, 2003) to Merrill Lynch & Co., New York, NY, at a "true interest rate" of 2.83%.

THE BONDS

General

The Bonds will be dated the date of delivery[2] thereof (the "Dated Date") and will mature on July 1 in the years and in the amounts as set forth on the cover page of this OFFICIAL STATEMENT.

The Bonds shall bear interest from the Dated Date at the rates set forth on the cover page of this OFFICIAL STATEMENT. Interest on the Bonds is payable semiannually on each January 1 and July 1, commencing January 1, 2004. Interest on the Bonds shall be computed on the basis of a 360–day year of twelve 30–day months. The State Treasurer is the initial Paying Agent and Bond Registrar with respect to the Bonds.

The Bonds will be issued as fully–registered bonds, initially in book–entry form, in the denomination of $5,000 or any whole multiple thereof, not exceeding the amount of each maturity.

The Bonds are being issued within the constitutional and statutory debt limits imposed on the State. See "DEBT STRUCTURE OF THE STATE OF UTAH—Legal Borrowing Authority" below.

Estimated Sources And Uses Of Funds

The proceeds from the sale of the Bonds (exclusive of any accrued interest upon the delivery thereof) are estimated to be applied as set forth below:

Sources of Funds:	
Par amount of the Bonds	$407,405,000.00
Original issue premium	60,071,623.00
Total	$467,476,623.00
Uses of Funds:	
Bond Proceeds Account	$316,498,475.16
Refunding of the Refunded Bonds	150,000,000.00
Costs of issuance (1)	601,000.00
Underwriters' discount	377,147.84
Total	$467,476,623.00

(1) Costs of issuance include legal fees, financial advisor fees, rating fees, printing and other miscellaneous expenses.

[2] The anticipated date of delivery is Thursday, June 26, 2003.

Authorization And Purpose Of The Bonds

The Bonds are authorized pursuant to resolutions adopted by the Commission, on May 8, 2003 and on June 11, 2003 (collectively, the "Resolutions") and pursuant to the Acts described below: (i) to refund all of the State's currently outstanding $150 million, Adjustable Rate General Obligation Highway Bonds, Series 1999 A and C (the "Refunded Bonds"); (ii) to provide funds to the Utah Department of Transportation ("UDOT") to pay a portion of the cost of acquiring, constructing, and renovating certain highway projects (the "2003 Highway Project"); (iii) to provide funds to the Division of Facilities Construction and Management ("DFCM"), a division of the State's Department of Administrative Services, to pay all or a portion of the costs of acquiring, constructing, reconstructing and renovating certain capital facilities projects in the State (the "2003 Capital Facilities Project" and collectively with the 2003 Highway Project, the "Project"), and (iv) to pay costs and expenses incident to the issuance of the Bonds. The Bonds are secured by the full faith, credit, and resources of the State. See "THE BONDS—Security For The Bonds" below.

The Refunded Bonds were authorized to be issued pursuant to the provisions of Title 63B, Chapter 6, Part 2 (the "1997 Highway G.O. Bond Authorization Act") of the Utah Code Annotated 1953, as amended (the "Utah Code"), and Title 63B, Chapter 7, Part 2 (the "1998 Highway G.O. Bond Authorization Act") of the Utah Code (collectively, the "Series 1999 G.O. Bond Authorization Acts"). See in this section "Plan Of Refunding" below.

The Bonds financing the 2003 Highway Project are being issued pursuant to the provisions of (i) Title 63B, Chapter 1a of the Utah Code (the "General Obligation Bond Act"), (ii) Title 63B, Chapter 11, Part 5 (the "2002 Salt Lake County Special Highway Authorization Act") and (iii) Title 63B, Chapter 12, Section 102 (the "2003 G.O. Highway Bond Authorization Act") of the Utah Code (collectively, the "2003 G.O. Highway Bond Authorization Acts"). Pursuant to the 2003 G.O. Highway Bond Authorization Acts, the Commission is authorized to issue and sell general obligation bonds of the State to provide funds to UDOT to pay a portion of the cost of the 2003 Highway Project.

The Bonds financing the 2003 Capital Facilities Project are being issued pursuant to the provisions of (i) the General Obligation Bond Act, (ii) Title 63B, Chapter 12, Section 101 (the "2003 G.O. Building Bond Authorization Act") and (iii) Title 63B, Chapter 11, Part 1 (the "2002 G.O. Building Bond Authorization Act") of the Utah Code (collectively, the "2003 G.O. Building Bond Authorization Acts"). Pursuant to the 2003 G.O. Building Bond Authorization Acts, the Commission has authority to issue and sell general obligation bonds of the State to provide funds to DFCM to pay all or part of the costs of the 2003 Capital Facilities Project.

The Series 1999 G.O. Bond Authorization Acts, the 2003 G.O. Highway Bond Authorization Acts, the 2003 G.O. Building Bond Authorization Acts, and the Utah Refunding Bond Act, Title 11, Chapter 27 of the Utah Code are collectively known herein as the "Acts."

Security For The Bonds

The Bonds are general obligations of the State, for which the full faith, credit and resources of the State are pledged for the payment of principal and interest, and for which payment a tax may be levied, without limitation as to rate or amount, on all property in the State subject to State taxation. The Acts provide that each year after issuance of the Bonds and until all outstanding Bonds are retired, there is levied a direct annual tax on all real and personal property within the State subject to State taxation, sufficient to pay: (a) interest on the Bonds as it becomes due and (b) principal of the Bonds as it becomes due. The Acts further provide that the direct annual tax imposed under the Acts is abated to the extent money is available from sources, other than ad valorem taxes in the sinking funds created by the Acts, for the payment of bond interest, principal, and redemption premiums, if any. See "FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—Property Tax Matters" below.

The State expects that moneys will be available from sources other than ad valorem taxes in amounts sufficient to pay principal of and interest on the Bonds when due, thereby enabling the State to deposit such moneys into the sinking funds and abate the ad valorem taxes levied for that purpose.

Plan Of Refunding

The State has previously issued the Refunded Bonds, the original proceeds of which were used for construction of various State highway projects.

Proceeds from the Bonds in the aggregate amount of $150 million together with moneys from the State sufficient to pay the interest coming due shall be deposited with U.S. Bank Trust National Association, Corporate Trust Service, New York, NY, as Paying Agent on the Refunded Bonds. Those funds will then be used to pay and cancel the Refunded Bonds on Tuesday, July 1, 2003.

Redemption Provisions

The Bonds maturing on or before July 1, 2013 are not subject to call or optional redemption prior to maturity.

The Bonds maturing on or after July 1, 2014, are subject to redemption at the option of the State on July 1, 2013 and on any date thereafter prior to maturity, in whole or in part, from such maturities or parts thereof as may be selected by the State, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the redemption date.

Selection for Redemption. If fewer than all of the Bonds of any maturity are to be so redeemed, the particular Bonds or portion of Bonds of such maturity to be redeemed shall be selected at random by the Bond Registrar in such manner as the Bond Registrar in its discretion may deem fair and appropriate. The portion of any registered Bond of a denomination of more than $5,000 to be redeemed will be in the principal amount of $5,000 or a whole multiple thereof, and in selecting portions of such Bonds for redemption the Bond Registrar will treat each such Bond as representing that number of Bonds of $5,000 denomination which is obtained by dividing the principal amount of such Bond by $5,000.

Notice of Redemption. Notice of redemption shall be given by the Bond Registrar by first class mail, not less than 30 nor more than 60 days prior to the redemption date, to the registered owner of the Bonds to be redeemed, as of the Record Date, at the address of such owner as it appears on the registration books of the State kept by the Bond Registrar, or at such other address as is furnished to the Bond Registrar in writing by such owner on or prior to the Record Date. Each notice of redemption shall state, among other things, the Record Date, the principal amount of the Bonds to be redeemed, the redemption date, the place of redemption, the redemption price, and state that the interest on the Bonds in such notice designated for redemption shall cease to accrue from and after such redemption date and that on the redemption date there will become due and payable on each of the Bonds to be redeemed the principal thereof and interest accrued thereon to the redemption date, and, if less than all of the Bonds are to be redeemed, the distinctive numbers of the Bonds or portions of Bonds to be redeemed.

Each notice may further state that such redemption shall be conditioned upon the receipt by the Paying Agent, no later than the opening of business on the redemption date, of moneys sufficient to pay the principal of and premium, if any, and interest on such Bonds to be redeemed and that if such moneys shall not have been so received the notice shall be of no force or effect and the State shall not be required to redeem such Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made and the Bond Registrar shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received. Any notice mailed shall be conclusively presumed to have been duly given, whether or not the Bondowner receives such notice. Failure to give such notice or any defect therein with respect to any Bond shall not affect the validity of the proceedings for redemption with respect to any other Bond.

In addition to the foregoing notice, further notice to certain registered securities depositories and national information services shall be given by the Bond Registrar as provided in the Resolutions, but any failure to give all or any portion of such notice shall not in any manner defeat the effectiveness of a call for redemption if the notice referenced in the preceding paragraph is given as described above and in the Resolutions.

For so long as a book–entry system is in effect with respect to the Bonds, the Bond Registrar will mail notices of redemption to DTC or its successor. Any failure of DTC to convey such notice to any DTC Participants or any failure of the DTC Direct Participants or Indirect Participants to convey such notice to any Beneficial Owner will not affect the sufficiency of the notice or the validity of the redemption of Bonds. See "THE BONDS—Book–Entry System" below.

Book–Entry System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully–registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully–registered Bond certificate will be issued for each issue of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC. See "APPENDIX E—BOOK–ENTRY SYSTEM" for a more detailed discussion of the book–entry system and DTC.

Debt Service On The Bonds

	The Bonds			
Payment Date	Principal	Interest	Period Total	Fiscal Total
January 1, 2004	$ 0.00	$ 9,989,370.49	$ 9,989,370.49	$ 9,989,370.49
July 1, 2004	0.00	9,719,387.50	9,719,387.50	
January 1, 2005	0.00	9,719,387.50	9,719,387.50	19,438,775.00
July 1, 2005	1,095,000.00	9,719,387.50	10,814,387.50	
January 1, 2006	0.00	9,708,437.50	9,708,437.50	20,522,825.00
July 1, 2006	7,775,000.00	9,708,437.50	17,483,437.50	
January 1, 2007	0.00	9,514,062.50	9,514,062.50	26,997,500.00
July 1, 2007	12,825,000.00	9,514,062.50	22,339,062.50	
January 1, 2008	0.00	9,193,437.50	9,193,437.50	31,532,500.00
July 1, 2008	59,300,000.00	9,193,437.50	68,493,437.50	
January 1, 2009	0.00	8,007,437.50	8,007,437.50	76,500,875.00
July 1, 2009	61,125,000.00	8,007,437.50	69,132,437.50	
January 1, 2010	0.00	6,632,125.00	6,632,125.00	75,764,562.50
July 1, 2010	50,025,000.00	6,632,125.00	56,657,125.00	
January 1, 2011	0.00	5,381,500.00	5,381,500.00	62,038,625.00
July 1, 2011	15,100,000.00	5,381,500.00	20,481,500.00	
January 1, 2012	0.00	5,004,000.00	5,004,000.00	25,485,500.00
July 1, 2012	52,575,000.00	5,004,000.00	57,579,000.00	
January 1, 2013	0.00	3,689,625.00	3,689,625.00	61,268,625.00
July 1, 2013	55,300,000.00	3,689,625.00	58,989,625.00	
January 1, 2014	0.00	2,307,125.00	2,307,125.00	61,296,750.00
July 1, 2014	18,500,000.00	2,307,125.00	20,807,125.00	
January 1, 2015	0.00	1,844,625.00	1,844,625.00	22,651,750.00
July 1, 2015	16,000,000.00	1,844,625.00	17,844,625.00	
January 1, 2016	0.00	1,444,625.00	1,444,625.00	19,289,250.00
July 1, 2016	57,785,000.00	1,444,625.00	59,229,625.00	59,229,625.00
Totals	$407,405,000.00	$164,601,532.99	$572,006,532.99	

STATE OF UTAH GOVERNMENTAL ORGANIZATION

The following description of State government emphasizes those functions of government that might have a direct bearing or effect on the financial condition of the State and the State's bonded indebtedness, and is not intended as a detailed description of all functions of the State's government.

Governmental Departments

The Constitution of the State (the "State Constitution") divides the powers of government into three distinct departments: the Legislative Department, the Executive Department and the Judicial Department.

Legislative Department

The Utah State Legislature (the "Legislature") is composed of a Senate (29 members) and a House of Representatives (75 members). The Legislature meets in regular session annually for 45 calendar days beginning the third Monday in January.

The Legislature establishes basic State policies and prescribes administrative functions through its lawmaking, investigative and fiscal powers. The Legislature imposes taxes to provide revenue and makes appropriations to carry out all the activities of State government. The Legislature also provides some financial support of certain local activities, such as roads and schools.

Executive Department

The Executive Department consists of the offices of Governor, Lieutenant Governor, State Auditor, State Treasurer, and Attorney General, each of which is an elective office. The terms of office of each of these officials are four years each and run concurrently. Current executive department members and their respective terms in office are as follows:

Office	Person	Time in Office	Expiration of Current Term
Governor	Michael O. Leavitt	11 years	January 2005
Lieutenant Governor	Olene S. Walker	11 years	January 2005
State Auditor	Auston G. Johnson, III, CPA	8 years	January 2005
State Treasurer	Edward T. Alter, CPA	23 years	January 2005
Attorney General	Mark L. Shurtleff	3 years	January 2005

Judicial Department

The State Constitution provides that the "judicial power of the State shall be vested in a supreme court, in a trial court of general jurisdiction known as the district court, and in such other courts as the Legislature by statute may establish." The State statutes list such other courts as the Court of Appeals, the juvenile courts, justice courts, and the small claim courts. The Supreme Court, the Court of Appeals, the district courts, and the juvenile courts are all courts of record. In addition, most departments and agencies of the State have administrative proceedings which are conducted pursuant to the Utah Administrative Procedures Act by administrative law judges or hearing officers, whose determinations are subject to appeal through the judicial system.

Certain Commissions And Agencies

The following contains information regarding certain State commissions and administrative agencies in finance, administration and planning of State government:

Utah State Tax Commission

The Utah State Tax Commission (the "State Tax Commission") is a four–member commission with members appointed by the Governor with the consent of the Senate. No more than two members of the State Tax Commission may be of the same political party. The State Tax Commission has a number of operating divisions, each of which is responsible for administering major areas of tax and collection. The State Tax Commission's powers and responsibilities include, among others, the following:

(a) administration, supervision and enforcement of the tax laws of the State and the formulation of State tax policy through rules, guidelines and directives;

(b) assessment and equalization of Centrally–Assessed Properties (as hereinafter defined) including mines, railroads, public utilities, pipelines and certain other properties;

(c) administration of funding for the minimum school program and levying the State–wide minimum basic property tax rate based on appropriations set by the Legislature;

(d) collection of various State taxes, including State sales and use tax, local option sales taxes, individual income tax, corporate franchise (income) taxes, and motor fuel and special fuel taxes;

(e) collection and distribution of the local option sales taxes and seven additional optional sales taxes to the State's cities, towns and counties; and

(f) administration of the State's motor vehicle registration laws.

Department Of Administrative Services

The Department of Administrative Services (the "Department") coordinates the agencies that provide administrative support to State government.

Among the purposes of the Department are to provide effective, coordinated management of State administrative services, to serve the public interest by providing services in a cost–effective and efficient manner, by eliminating unnecessary duplication, to enable administrators to respond effectively to technological improvements, to emphasize the service role of State administrative service agencies in meeting the service needs of user agencies, and to protect the public interest by insuring the integrity of the fiscal accounting procedures and policies which govern the operation of agencies and institutions to assure that funds are expended properly and lawfully. The Department is presently composed of the following divisions: Finance; Facilities Construction and Management; Administrative Rules; Archives and Records; Information Technology Services; Purchasing and General Services; Risk Management; Fleet Operations; and Debt Collection.

Division of Finance. The Director of Finance is appointed by the Executive Director of the Department with the Governor's approval and serves at the pleasure of the Executive Director. The Director of Finance is the State's Chief Fiscal Officer and, ex–officio, the State's Accounting Officer. The statutes creating the Division of Finance give it authority and responsibility to:

(a) maintain financial accounts for State departments including work programs, appropriations, allotments and expenditures;

(b) maintain a central accounting system and approve accounting systems of State departments;

(c) supervise enforcement of travel rules and regulations;

(d) audit all claims against the State for which an appropriation has been made;

(e) approve proposed expenditures for the purchase of supplies and services requested by State agencies except institutions of higher education; and

(f) issue financial reports of the State and report financial information to the Governor and Legislature when requested.

Division of Facilities Construction and Management. DFCM was created in 1981 as part of a reorganization which brought several administrative functions under the Department of Administrative Services. Prior to that time, DFCM's functions were handled by the State Building Board. DFCM currently acts as staff to the State Building Board and assists it in carrying out its functions.

DFCM is responsible for the design and construction of the facilities used by all state agencies and institutions. DFCM contracts with private architectural, engineering, and construction firms for the design and construction of facilities. DFCM reviews plans prior to bidding and supervises the design and construction processes. DFCM also assists the State Building Board in the analysis of facility needs and the prioritization of capital projects.

DFCM is responsible for the leasing of all facilities for state agencies with some exceptions. Information regarding leases is submitted annually to the Legislature for its review and approval. Other responsibilities of DFCM include the management and maintenance of many State facilities, the allocation of space among State agencies, and the ownership of much of the State's real property.

Governor's Office of Planning and Budget

The Governor's Office of Planning and Budget prepares the governor's budget recommendations, monitors state agency expenditures, forecasts and monitors revenues and coordinates state planning activities.

Planning. State planning coordination encompasses a broad mix of intergovernmental coordination; data development, research and analysis; and special issue resolution. The Governor's Office of Planning and Budget directs these activities based on guidance from the Governor and the Legislature. The office's intergovernmental coordination function includes a systematic review of all federal, state or local actions that impact the State's physical resources, as well the coordination of State agency planning and State/local planning. Data development, research and analysis occur in the office in support of the budgeting and planning priorities. The office forecasts and monitors State revenues, prepares economic and demographic projections, analyzes the impacts of projects, and conducts research on policy issues important to the Governor.

Budget Preparation. Spending agencies must prepare a proposed work program and the estimated requirements to accomplish the program together with the source of funds available for its financing. Budget requests with supporting information and revenue projections are reviewed by the Governor, who transmits his own budget recommendations to the Legislature.

Review and Adoption. The Legislature reviews the budget requests, together with all other related information, and adopts a final budget in the amount it deems advisable for each activity in relation to all other functions of the governmental unit. It is primarily the prerogative of the Legislature to determine the major policies and programs.

Budget Execution. The spending agencies carry out their planned programs within the limitations prescribed by the Legislature. The Division of Finance and the Governor's Office of Planning and Budget review all planned expenditures by spending agencies to make sure that they conform with and do not exceed the limits authorized by the Legislature. This review is intended primarily to ensure that expenditures are authorized by the law.

State Bonding Commission

The Lieutenant Governor (who has been appointed by the Governor to temporarily serve on the Commission in place of the Governor), the State Treasurer, and a third person appointed by the Governor but of a different political party than that of the Governor, constitute the Commission. The Commission exercises the powers and performs the duties prescribed for the Commission by statute, including the Acts, which authorizes the issuance of the Bonds.

Current Commission members and their respective terms in office on the Commission are as follows:

Office	Person	Time in Office	Expiration of Term
Chair	Olene S. Walker	11 years	January 1, 2005
Secretary/Member	Edward T. Alter, CPA	23 years	January 1, 2005
Member	Janis R. Kline, CPA	6 years	April 1, 2005

State Building Board

The State Building Board consists of seven voting members who are appointed by the Governor. In addition, the director of the Governor's Office of Planning and Budget of the State is a non–voting member of the board. The board acts as a policy–making board for DFCM. The board's current statutory responsibilities include the preparation and maintenance of a five–year building plan for submission to the Governor and the Legislature, the establishment of design and construction standards for State facilities, the establishment of procurement rules for the design and construction and leasing of State facilities, and the establishment of policies and procedures regarding the functions of DFCM.

Department of Transportation

The Utah Transportation Commission is a five–member citizen commission with members appointed by the Governor. The commission is charged with policy and programming oversight of the Utah Department of Transportation ("UDOT"). All expenditures for highway construction projects must be authorized by the commission after review and prioritization by UDOT. UDOT is responsible for the planning, design, construction and operation of transportation facilities within the State. The department has jurisdiction over 5,855 miles of highways, one airport and two passenger ferries. UDOT oversees approximately 100 major construction and rehabilitation projects annually.

DEBT STRUCTURE OF THE STATE OF UTAH

Legal Borrowing Authority

Constitutional and Statutory Limitations on State Indebtedness

Constitutional Debt Limit. Article XIV, Section 1 of the State Constitution limits the total general obligation indebtedness of the State to an amount equal to 1.5% of the value of the total taxable property of the State, as shown by the last assessment for State purposes previous to the incurring of such debt. As of the date of this OFFICIAL STATEMENT, the application of this constitutional debt limit and the additional debt incurring capacity of the State (after giving effect to the issuance of the Bonds and the refunding of the Refunded Bonds) under the Constitution are shown as follows:

Fair Market Value of Ad Valorem Taxable Property (1)	$161,910,433,752
Uniform Fees in lieu of Ad Valorem Taxable Property (2)	10,019,393,941
Total Fair Market Value of Taxable Property (1)	$171,929,827,693
Constitutional Debt Limit (1.5%)	$2,578,947,415
Less: Currently outstanding General Obligation Debt	(1,623,680,000)
Less: Unamortized Original Issue Premium (3)	(104,317,665)
Estimated Additional Constitutional Debt Incurring Capacity of the State (4)	$ 850,949,750

(1) Based on estimates of 2002 taxable values which are preliminary and subject to change. See "FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—Property Tax Matters–Taxable Value Compared with Fair Market Value of All Taxable Property in the State" below.
(2) Based on estimates of 2001 values which are preliminary and subject to change. For purposes of calculating debt incurring capacity only, the value of all motor vehicles and state–assessed commercial vehicles (which value is determined by dividing the uniform fee revenue by 0.015) is added to the fair market value of the taxable property in the State.
(3) Reflects original issue premium that was treated as principal for purposes of calculating the applicable constitutional and statutory debt limits.
(4) The State is further limited on its issuance of general obligation indebtedness by statute. See in this section "Statutory General Obligation Debt Limit" below.

See in this section "Authorized General Obligation Bonds and Future General Obligation Bonds Issuance" below.

Statutory General Obligation Debt Limit. Title 63, Chapter 38c, Utah Code (the "State Appropriations and Tax Limitation Act"), among other things, limits the maximum general obligation borrowing ability of the State. Under the State Appropriations and Tax Limitation Act, the outstanding general obligation debt of the State at any time may not exceed 20% of the maximum allowable State budget appropriations limit as provided in that act, which limits State government appropriations based upon a formula that reflects the average of changes in personal income and the combined changes in population and inflation.

On occasion, the Legislature has amended the State Appropriations and Tax Limitation Act in order to provide an exemption for certain general obligation highway bonds and bond anticipation notes from the limitations imposed by the State Appropriations and Tax Limitation Act.

Using the budget appropriations for the Fiscal Year 2003, the statutory general obligation debt limit under the State Appropriations and Tax Limitation Act and additional general obligation debt incurring capacity of the State under that act are as follows (after giving effect to the issuance of the Bonds and the refunding of the Refunded Bonds):

Statutory General Obligation Debt Limit (1)	$830,136,740
Less: Statutorily Applicable General Obligation Debt (2)	(645,255,000)
Less: Unamortized Statutorily Applicable General Obligation Original Issue Premium (3)	(48,556,153)
Remaining Statutory General Obligation Debt Incurring Capacity	$136,325,587

(1) 20% of the Fiscal Year 2003 appropriation limit of $4,150,683,700.
(2) Consisting of $1,623,680,000 of currently outstanding General Obligation debt, less $978,425,000 of statutorily exempt General Obligation Highway Bonds.
(3) Reflects original issue premium that was treated as principal for purposes of calculating the applicable constitutional and statutory debt limits.

As additional general obligation bonds are issued and outstanding general obligation bonds are retired, the unused maximum general obligation borrowing capacity of the State under the State Appropriations and Tax Limitation Act will fluctuate. The State Appropriations and Tax Limitation Act may be amended in the future by majority vote of both houses of the Legislature.

The calculation of the historical constitutional debt limit, the general obligation debt, the additional general obligation debt incurring capacity, and the statutory debt limit for the State for each of the Fiscal Years 1998 through 2002 is as follows:

	Fiscal Year Ended June 30 (in thousands) (1)				
	2002	2001	2000	1999	1998
Fair Market Value of Ad Valorem Taxable Property (2)	$153,111,458	$142,277,006	$132,182,524	$134,968,536	$125,705,071
Fees in lieu of Ad Valorem Tax (3)	10,019,394	10,075,896	10,009,634	–	–
Fair Market Value for Debt Incurring Capacity	$163,130,852	$152,352,902	$142,192,158	$134,968,536	$125,705,071
Constitutional:					
Constitutional Debt Limit (1.5% of Fair Market Value)	$2,446,963	$2,285,294	$2,132,882	$2,024,528	$1,885,576
Outstanding Constitutional Debt	(1,474,400)	(1,146,000)	(1,212,325)	(1,251,525)	(1,202,310)
Unamortized Original Issue Premium (4)	(23,971)	(0)	(0)	(0)	(0)
Additional Debt Incurring Capacity (*constitutional*)	$ 948,592	$1,139,294	$ 920,557	$ 773,003	$ 683,266
Statutory:					
Statutory General Obligation Debt Limit	$835,341	$759,702	$734,709	$705,972	$650,541
Outstanding General Obligation Debt (5)	(473,950)	(238,000)	(304,325)	(343,525)	(602,310)
Unamortized Statutory Applicable Original Issue Premium (4)	(20,417)	(0)	(0)	(0)	(0)
Additional General Obligation Debt Incurring Capacity (*statutory*)	$340,974	$521,702	$430,384	$362,447	$ 48,231

(1) Rounded to the nearest thousand.
(2) For the Fiscal Years 1998 and 1999, these valuation figures include the value of property that was made subject to the uniform fees–in–lieu of ad valorem taxes for motor vehicles and other tangible personal property as of January 1, 1999. To reflect the fact that such property is now subject to these uniform fees (instead of ad valorem taxes), such property is excluded from total Fair Market Value or Market Value for the Fiscal Year 2000, and thereafter. Moreover, actual collection of ad valorem taxes is affected by legislation that may limit the percentage of fair market value which may be used as the basis for taxation.
(3) Beginning in Fiscal Year 2000, for purposes of calculating debt incurring capacity only, the value of all motor vehicles and state–assessed commercial vehicles (which value is determined by dividing the uniform fee revenue by 0.015) is added to the fair market value of the taxable property in the State.
(4) Reflects original issue premium that was treated as principal for purposes of calculating the applicable constitutional and statutory debt limits. Beginning in Fiscal Year 2002, bond premiums are deferred and amortized over the life of the bonds. This change was necessary because of implementing Statement 34 of the Governmental Accounting Standards Board ("GASB").
(5) Beginning in Fiscal Year 1998, certain general obligation highway indebtedness is exempt from the State Appropriations and Tax Limitation Act.

(Sources: Property Tax Division, State Tax Commission (as to Taxable Value only) and Zions Bank Public Finance.)

See “FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—Property Tax Matters” below.

Authorized General Obligation Bonds and Future General Obligation Bonds Issuance

Following the issuance of the Bonds, the State has approximately $61 million ($7.3 million for capital projects from a 2003 authorization, $21.3 million for higher education building projects from a 2002 authorization, $26.4 million for highway projects from a 2002 authorization and $6 million for transportation projects from a 2000 authorization) aggregate principal amount of additional authorized and unissued general obligation bonds, the proceeds of which bonds, when issued, will be used by UDOT and DFCM for various capital projects.

The State does not anticipate the issuance of additional general obligation bonds prior to December 31, 2003. The State traditionally issues bonds each year and may, subsequent to December 31, 2003, issue some or all of the additional $61 million aggregate principal amount of authorized and unissued General Obligation Bonds.

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Outstanding General Obligation Indebtedness

The State has issued general obligation bonds for general buildings, higher education buildings, highways, water and wastewater facilities, flood control facilities, technology, and refunding purposes. As of the date indicated, the State expects to have the following principal amounts of general obligation debt outstanding:

(1) Series	Purpose	Original Amount	Final Maturity Date	(11) Outstanding as of June 26, 2003
2003A (2)	Various purpose	$407,405,000	July 1, 2016	$ 407,405,000
2002B (3)	Refunding	253,100,000	July 1, 2012	253,100,000
2002A	Various purpose	281,200,000	July 1, 2015	281,200,000
2001B (4)	Various purpose	348,000,000	July 1, 2014	348,000,000
2001A	Building	15,000,000	July 1, 2004	15,000,000
1999E	Building	38,000,000	July 1, 2004	38,000,000
1999A (5) (6) (12)	Highway projects	89,500,000	July 1, 2003	0
1999C (5) (6) (12)	Highway projects	89,500,000	July 1, 2003	0
1998A (7) (8)	Various purpose	265,000,000	July 1, 2008 (10)	122,225,000
1997F (3) (8)	Highway projects	205,000,000	July 1, 2007 (10)	78,375,000
1997A (9)	Capital projects	8,895,000	July 1, 2002	0
1997B (9)	Capital projects	11,250,000	July 1, 2002	0
1997C	Capital projects	36,355,000	July 1, 2003	36,355,000
1997D	Computer system	8,500,000	July 1, 2003	3,645,000
1997E (3) (8)	Highway projects	135,000,000	July 1, 2007 (10)	40,375,000
1996 (9)	Capital projects	20,000,000	July 1, 2002	0
Total General Obligation Debt				$1,623,680,000

(1) Unless otherwise indicated, the outstanding general obligation bonds of the State are currently rated "AAA" by Fitch Ratings ("Fitch"); "Aaa" by Moody's Investors Service ("Moody's"); and "AAA" by Standard & Poor's Ratings Group, a division of The McGraw–Hill Companies, Inc. ("S&P"), as of the date of this OFFICIAL STATEMENT.

(2) Rated "AAA" by Fitch; "Aaa" by Moody's; and "AAA" by S&P, as of the date of this OFFICIAL STATEMENT. As of June 26, 2003, $174.1 million of these bonds are exempt from statutory debt limit calculations.

(3) These bonds are exempt from statutory debt limit calculations.

(4) As of June 26, 2003, $334.25 million of these general obligation bonds issued in 2001 are exempt from statutory debt limit calculations.

(5) These are bonds being refunded by the Bonds.

(6) The original par amount of $89.5 million has been refunded by $14.5 million from bond proceeds of the 2001B General Obligation Bonds and $75 million of bond proceeds from the Bonds.

(7) As of June 26, 2003, $98.225 million of these bonds are exempt from statutory debt limit calculations.

(8) Portions of these bond issues were refunded by the 2002B General Obligation Bonds.

(9) These bonds are included in this table because the final principal and interest payments occurred within the Fiscal Year 2003. See "Debt Service Schedule of Outstanding General Obligation Bonds (Fiscal Year) below.

(10) Final maturity date after portions of these bond issues were refunded by the 2002B General Obligation Bonds.

(11) This is the scheduled issuance date for the Bonds.

(12) For purposes of this OFFICIAL STATEMENT, these bonds will be considered retired.

(Source: Zions Bank Public Finance.)

The following tables reflect the State's principal amounts of general obligation debt, as measured by population, personal income, taxable value and fair market/market value for the fiscal years shown and estimated as of June 26, 2003 (which is the proposed closing date of the Bonds) and July 2, 2003 (the day after the start of Fiscal Year 2004).

	Fiscal Year Ended June 30				
	2002	2001	2000	1999	1998
Outstanding General Obligation Debt (000's)	$1,474,400	$1,146,000	$1,212,325	$1,251,525	$1,202,310
Debt Ratios:					
Per Capita	$630	$499	$540	$571	$561
As % of Total Personal Income	2.62%	2.09%	2.30%	2.56%	2.57%
As % of Taxable Value (1)	1.34%	1.12%	1.27%	1.25%	1.42%
As % of Fair Market/Market Value (1)	0.96%	0.81%	0.92%	0.93%	0.96%
Annual Debt Service as % of All Governmental Fund Expenditures	2.66%	2.55%	2.65%	2.60%	2.32%

	Estimated	
	As of June 26, 2003	As of July 2, 2003
Outstanding General Obligation Debt	$1,623,680,000	$1,511,870,000
Debt Ratios:		
Per Capita	$694	$646
As % of Total Personal Income	2.88%	2.68%
As % of Taxable Value (1)	1.40%	1.31%
As % of Fair Market Value/Market Value (1)	1.00%	0.93%

(1) For the Fiscal Years 1998 and 1999, these figures are based on property valuations which include the value of taxable property in the State including property made subject to the uniform fees in lieu of ad valorem taxes for motor vehicles and other tangible personal property as of January 1, 1999. To reflect the fact that property subject to these uniform fees is no longer subject to ad valorem taxes, such property is excluded from the property values upon which these figures are based for the Fiscal Year 2000 and thereafter.

(Source: Division of Finance and Zions Bank Public Finance.)

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Debt Service Schedule Of Outstanding General Obligation Bonds (Fiscal Year) (1)

Fiscal Year Ending June 30	Series 2003 $407,405,000 Principal	Interest	Series 2002B $253,100,000 Principal	Interest	Series 2002A $281,200,000 Principal	Interest	Series 2001B $348,000,000 Principal	Interest	Series 2001A $15,000,000 Principal	Interest	Series 1999E $38,000,000 Principal	Interest
2003…………	$ 0	$ 0	$ 0	$ 6,193,855	$ 0	$ 8,140,628	$ 0	$ 15,660,000	$ 0	$ 600,000	$ 0	$ 1,710,000
2004…………	0	9,989,370	0	13,432,456	14,160,000	13,742,963	0	15,660,000	0	600,000	0	1,710,000
2005…………	0	19,438,775	2,035,000	13,401,931	4,850,000	13,445,688	41,425,000	14,727,938	15,000,000	300,000	38,000,000	855,000
2006…………	1,095,000	19,427,825	205,000	13,368,331	45,740,000	12,217,313	34,900,000	13,010,625	–	–	–	–
2007…………	7,775,000	19,222,500	160,000	13,362,856	48,075,000	9,871,938	33,250,000	11,477,250	–	–	–	–
2008…………	12,825,000	18,707,500	120,000	13,358,656	50,575,000	7,405,688	34,650,000	9,949,500	–	–	–	–
2009…………	59,300,000	17,200,875	29,455,000	12,583,663	5,525,000	6,003,188	36,125,000	8,357,063	–	–	–	–
2010…………	61,125,000	14,639,563	50,835,000	10,481,778	5,750,000	5,721,313	37,650,000	6,697,125	–	–	–	–
2011…………	50,025,000	12,013,625	53,670,000	7,710,706	6,000,000	5,427,563	39,325,000	4,965,188	–	–	–	–
2012…………	15,100,000	10,385,500	56,705,000	4,744,378	6,325,000	5,111,531	41,050,000	3,156,750	–	–	–	–
2013…………	52,575,000	8,693,625	59,915,000	1,610,216	0	4,945,500	11,550,000	1,973,250	–	–	–	–
2014…………	55,300,000	5,996,750	–	–	6,650,000	4,770,938	12,100,000	1,441,125	–	–	–	–
2015…………	18,500,000	4,151,750	–	–	29,350,000	3,825,938	25,975,000	584,438	–	–	–	–
2016…………	16,000,000	3,289,250	–	–	58,200,000	1,527,750	–	–	–	–	–	–
2017…………	57,785,000	1,444,625	–	–	–	–	–	–	–	–	–	–
Totals………	$407,405,000	$ 164,601,533	$253,100,000	$110,248,826	$281,200,000	$102,157,934	$348,000,000	$107,660,252	$ 15,000,000	$ 1,500,000	$ 38,000,000	$ 4,275,000

Fiscal Year Ending June 30	Series 1999A, B, C, and D $358,000,000 (2) Principal	Interest	Series 1998A $265,000,000 Principal	Interest	Series 1997F $205,000,000 Principal	Interest	Series 1997A $8,895,000 Principal	Interest	Series 1997B $11,250,000 Principal	Interest	Series 1997C $36,355,000 Principal	Interest
2003…………	$ 0	$ 1,852,089 (3)	$ 30,525,000	$ 9,007,500	$ 13,325,000	$ 7,090,250	$ 8,895,000	$ 244,613	$ 11,250,000	$ 309,375	$ 0	$ 1,999,525
2004…………	0	0	38,150,000	5,157,500	14,075,000	3,888,375	–	–	–	–	36,355,000	999,763
2005…………	0	0	14,975,000	3,829,375	14,825,000	3,128,813	–	–	–	–	–	–
2006…………	0	0	15,850,000	3,058,750	15,625,000	2,291,438	–	–	–	–	–	–
2007…………	0	0	16,775,000	2,243,125	16,475,000	1,408,688	–	–	–	–	–	–
2008…………	0	0	17,750,000	1,380,000	17,375,000	477,813	–	–	–	–	–	–
2009…………	0	0	18,725,000	468,125	0	0 (r)	–	–	–	–	–	–
2010…………	0	0	0	0 (r)	0	0 (r)	–	–	–	–	–	–
2011…………	0	0	0	0 (r)	0	0 (r)	–	–	–	–	–	–
2012…………	0	0	0	0 (r)	0	0 (r)	–	–	–	–	–	–
2013…………	0	0	0	0 (r)	0	0 (r)	–	–	–	–	–	–
2014…………	0	0	–	–	–	–	–	–	–	–	–	–
2015…………	0	0	–	–	–	–	–	–	–	–	–	–
2016…………	0	0	–	–	–	–	–	–	–	–	–	–
2017…………	0	0	–	–	–	–	–	–	–	–	–	–
Totals………	$ 0	$ 1,852,089	$152,750,000	$ 25,144,375	$ 91,700,000	$ 18,285,377	$ 8,895,000	$ 244,613	$ 11,250,000	$ 309,375	$ 36,355,000	$ 2,999,288

Fiscal Year Ending June 30	Series 1997D $8,500,000 Principal	Interest	Series 1997E $135,000,000 Principal	Interest	Series 1996 $20,000,000 Principal	Interest		Totals (1) Total Principal	Total Interest	Total Debt Service
2003…………	$ 4,855,000	$ 333,988	$ 8,700,000	$ 4,391,925	$ 20,000,000	$ 500,000	………………………………………	$ 97,550,000	$ 58,033,748	$ 155,583,748
2004…………	3,645,000	100,238	5,425,000	2,058,500 (r1)	–	–	………………………………………	111,810,000	67,339,165	179,149,165
2005…………	–	–	5,175,000	1,773,469 (r2)	–	–	………………………………………	136,285,000	70,900,988	207,185,988
2006…………	–	–	9,350,000	1,380,500 (r3)	–	–	………………………………………	122,765,000	64,754,782	187,519,782
2007…………	–	–	9,925,000	850,438 (r4)	–	–	………………………………………	132,435,000	58,436,794	190,871,794
2008…………	–	–	10,500,000	288,750 (r5)	–	–	………………………………………	143,795,000	51,567,907	195,362,907
2009…………	–	–	0	0 (r)	–	–	………………………………………	149,130,000	44,612,914	193,742,914
2010…………	–	–	0	0 (r)	–	–	………………………………………	155,360,000	37,539,779	192,899,779
2011…………	–	–	0	0 (r)	–	–	………………………………………	149,020,000	30,117,082	179,137,082
2012…………	–	–	0	0 (r)	–	–	………………………………………	119,180,000	23,398,159	142,578,159
2013…………	–	–	0	0 (r)	–	–	………………………………………	124,040,000	17,222,591	141,262,591
2014…………	–	–	–	–	–	–	………………………………………	74,050,000	12,208,813	86,258,813
2015…………	–	–	–	–	–	–	………………………………………	73,825,000	8,562,126	82,387,126
2016…………	–	–	–	–	–	–	………………………………………	74,200,000	4,817,000	79,017,000
2017…………	–	–	–	–	–	–	………………………………………	57,785,000	1,444,625	59,229,625
Totals………	$ 8,500,000	$ 434,226	$ 49,075,000	$ 10,743,581	$ 20,000,000	$ 500,000	………………………………………	$ 1,721,230,000	$ 550,956,470	$ 2,272,186,470

(1) This table reflects the State's debt service schedule for its outstanding General Obligation Bonds for the fiscal year shown. This information is based on payments (cash basis) falling due in that particular fiscal year.

(2) Principal and interest has been refunded by the Bonds. These bonds included the $89.5 million, 1999A General Obligation Bonds; $89.5 million, 1999B General Obligation Bonds, $89.5 million 1999C General Obligation Bonds and $89.5 million 1999D General Obligation Bonds.
On July 2, 2001, $208 million of principal was refunded by the 2001B General Obligation Bonds and on July 1, 2003 $150 million of prinicpal was refunded by the Bonds.

(3) Includes $1,664,589 of actual interest paid from July 1, 2002 to May 31, 2003. From June 1, 2003 to June 30, 2003, interest has been estimated ($187,500) at 1.50% per annum. These bonds will be refunded by the Bonds on July 1, 2003.

(r) Principal and interest has been refunded by the 2002B General Obligation Bonds.
(r1) $3,750,000 of the original maturity of $9,175,000 has been refunded by the 2002B General Obligation Bonds.
(r2) $4,500,000 of the original maturity of $9,675,000 has been refunded by the 2002B General Obligation Bonds.
(r3) $850,000 of the original maturity of $10,200,000 has been refunded by the 2002B General Obligation Bonds.
(r4) $850,000 of the original maturity of $10,775,000 has been refunded by the 2002B General Obligation Bonds.
(r5) $850,000 of the original maturity of $11,350,000 has been refunded by the 2002B General Obligation Bonds.

(Source: Zions Bank Public Finance.)

The ratios of debt service expenditures to General Fund expenditures and to all governmental fund type expenditures for the last five fiscal years are shown below:

	Fiscal Year Ended June 30 (in thousands)				
	Estimated 2003 (*)	2002	2001	2000	1999
General Fund Expenditures	$3,441,683	$3,412,413	$3,088,090	$2,902,455	$2,794,536
Debt Service Expenditures	$189,105	$175,188	$158,886	$158,274	$153,540
Ratio of Debt Service to General Fund Expenditures	5.49%	5.13%	5.15%	5.45%	5.49%
Total All Governmental Funds Expenditures (1)	$6,725,393	$6,597,787	$6,233,721	$5,979,692	$5,900,004
Ratio of Debt Service Expenditures to All Governmental Fund Expenditures	2.81%	2.66%	2.55%	2.65%	2.60%

(*) 2003 estimates as of April 2003.

(1) Beginning in the Fiscal Year 2002, all Governmental Funds include expenditures of the State's major and nonmajor governmental funds (except the Trust Lands permanent fund). These changes were necessary because of implementing GASB Statement 34. The comparability of 2003 and 2002 expenditure amounts and the related ratios to the 2001 and prior amounts are affected. See "FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—Changes In Accounting Standards" below.

(Sources: Division of Finance and the Fiscal Year 2002 Comprehensive Annual Financial Report (the "2002 CAFR").)

Lease Obligations

The State leases office buildings, other real property, and office and computer equipment. Although the lease terms vary, most leases are subject to annual appropriations from the Legislature to continue the lease obligations. If a legislative appropriation is reasonably assured, long–term leases are considered noncancellable for financial reporting purposes. Leases that in substance are purchases are reported as capital lease obligations in the government–wide financial statements and proprietary fund statements in the State's Comprehensive Annual Financial Report ("CAFR").

Operating leases (leases on assets not recorded on the Balance Sheet) contain various renewal obligations as well as some purchase options. However, due to the nature of the leases, the related assets are not classified as capital assets. Any escalation clauses, sublease rentals and contingent rents are considered immaterial to the future minimum lease payments and current rental expenditures. Operating lease payments are recorded as expenditures or expenses of the related funds when paid or incurred.

The total operating lease expenditures for Fiscal Years 2001 and 2002 were approximately $26.3 million and $31.2 million, respectively, for the primary government, and $13.3 million and $17.6 million, respectively, for component units. For a detailed report and description of operating and capital leases see "APPENDIX A—BASIC FINANCIAL STATEMENTS OF THE STATE OF UTAH FOR THE FISCAL YEAR ENDED JUNE 30, 2002—Notes to the Financial Statements, Note 9. Lease Commitments."

Revenue Bonds And Notes

Various State agencies have outstanding bonds and notes payable solely from certain specified revenues. None of these bond or note issues are general obligations of the State and, therefore, such bonds or notes are not applied against the general obligation borrowing capacity of the State.

The majority of the State's revenue bonds and notes are issued by the Utah Housing Corporation (formerly known as the Utah Housing Finance Agency), the State Board of Regents (student loans and college and university capital projects), and the State of Utah, State Building Ownership Authority. Current information regarding such revenue bonds and notes is provided below.

For a detailed report and description of the various revenue bonds and notes see "APPENDIX A—BASIC FINANCIAL STATEMENTS OF THE STATE OF UTAH FOR THE FISCAL YEAR ENDED JUNE 30, 2002—Notes to the Financial Statements, Note 10. Long–Term Liabilities."

Covenant Regarding Legislative Appropriations; State Financing Consolidation Act; "Moral Obligation Bonds"

The statutes under which the Utah Housing Corporation, the State Board of Regents and the Utah Communications Agency Network are organized provide that the head of each agency shall certify to the Governor on or before December 1 of each year the amount, if any, necessary to restore any capital reserve or debt service reserve fund established by the agency to its required amount. In the case of revenue bonds issued to finance a capital project for an institution of higher education, the chairman of the State Board of Regents may also certify to the Governor on or before December 1 of each year any projected shortfall in the revenues necessary to make debt service payments in the forthcoming calendar year.

In addition, the State Treasurer has issued revenue bonds under the State Financing Consolidation Act, as discussed below, and has established debt service reserve funds to secure such bonds. The State Treasurer is authorized to certify to the Governor the amount necessary to restore such reserve funds in the same manner as described above.

In each case upon receipt of such a certification, the Governor may then request from the Legislature an appropriation of the amount so certified. The Governor is not required to request an appropriation from the Legislature and the Legislature is under no obligation to make any appropriation requested by the Governor. Bonds issued under the covenant to "restore any capital reserve or debt service reserve funds" are referred to herein as "*State Moral Obligation Bonds*."

The amounts of State Moral Obligation Bonds outstanding are set forth below.

Utah Housing Corporation. The Utah Housing Corporation had outstanding as of January 1, 2003 (the agency updates information every six months) approximately $1.25 billion of single family and multifamily housing revenue bonds, *approximately $41 million of which were issued as State Moral Obligation Bonds*. These revenue bonds were issued to provide funds to the Utah Housing Corporation and are secured by and payable from payments on loans payable to and assets of the Utah Housing Corporation.

State Board of Regents. The State Board of Regents has approximately $1.3 billion of student loan revenue bonds outstanding, *all of which were issued as State Moral Obligation Bonds*. The State Board of Regents has one series of revenue bonds outstanding in the amount of *approximately $7.8 million, which was issued as State Moral Obligation Bonds*. In addition, the State Board of Regents has outstanding approximately $354 million of revenue bonds issued to finance capital projects at the State's institutions of higher education, *approximately $243 million of which were issued as State Moral Obligation Bonds*. The student loan revenue bonds are issued to provide funds to the State's Student Loan Program and are secured by and payable from payment on student loans purchased by the State Board of Regents. In additional certain revenue bonds issued by individual colleges and universities are secured by and payable from student building fees, housing fees, grant fees, etc.

Utah Communications Agency Network. The Utah Communications Agency Network (an independent State agency)("UCAN") has approximately $12.9 million of refunding revenue bonds outstanding, *all of which are State Moral Obligation Bonds*. These bonds are secured by and payable from revenues derived from operation of the emergency communication system. See “APPENDIX A—BASIC FINANCIAL STATEMENTS OF THE STATE OF UTAH FOR THE FISCAL YEAR ENDED JUNE 30, 2002—Notes to the Financial Statements, Note 16. Joint Venture” below.

State Financing Consolidation Act. Approximately $2.64 million of revenue bonds are outstanding under the State Financing Consolidation Act, *all of which were issued as State Moral Obligation Bonds*. These revenue bonds were issued to provide funds to the State’s Drinking Water Board and Board of Water Resources and are secured by and payable from bonds, notes and other obligations issued by certain political subdivisions of the State that are held by the State Treasurer.

The Utah Housing Corporation and the State Board of Regents also have issued, and may issue in the future, bonds that are not designed as Moral Obligation Bonds of the State. However, these agencies may seek legislative appropriations to cover budget shortfalls, and such appropriations, if made, would be a draw on State revenues.

State of Utah, State Building Ownership Authority

Establishment and Statutory Powers. The State of Utah, State Building Ownership Authority (the “Authority”) was created in 1979 as a body politic and corporate of the State. The Authority is empowered, among other things, to issue its bonds (with the prior approval of the Legislature) to finance the acquisition and construction of facilities to be leased to State agencies and their affiliated entities at rentals paid out of budget appropriations or other available funds for the lessee agencies, which in the aggregate will be sufficient to pay the principal of and interest on the Authority’s legally issued bonds as they become due and to maintain, operate and insure the facilities. The necessary prior approval of the Legislature for the issuance of such bonds is given by specific acts, which acts are passed upon during a General Session of the Legislature.

The Authority is also empowered, among other things, to: (i) contract with others for needed services; and (ii) cause to be executed mortgages, trust deeds, indentures, pledge agreements, assignments, security agreements, and financing statements encumbering property acquired, or constructed by the Authority.

Organization. The Authority is comprised of three members: the Governor or designee, the State Treasurer and the Chair of the State Building Board. The State Building Ownership Act directs DFCM to construct and maintain any facilities acquired or constructed for the Authority.

Legal Borrowing Debt Capacity

The Authority may not issue any bonds or other obligations under the State Building Ownership Act in an amount which would exceed the difference between the total outstanding indebtedness of the State and 1.5% of the fair market value of the taxable property of the State, plus certain add–back indebtedness provided by legislative directive. As of the date of this OFFICIAL STATEMENT, the legal debt limit and additional debt incurring capacity of the Authority are calculated as follows (after giving effect to the issuance of the Bonds and the refunding of the Refunded Bonds):

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Fair Market Value of Ad Valorem Taxable Property (1)	$161,910,433,752
Fees in lieu of Ad Valorem Taxable Property (2)	10,019,393,941
Total Fair Market Value of Taxable Property (1)	$171,929,827,693
1.5% Debt Limit Amount	$2,578,947,415
Less: Currently outstanding State General Obligation Debt	(1,623,680,000)
Less: Unamortized General Obligation Original Issue Premium (3)	(104,317,665)
Less: The Authority's outstanding Lease Revenue Bonds	(347,991,478)
Less: Unamortized Lease Revenue Original Issue Premium (3)	(3,231,335)
Plus: Statutorily exempt State General Obligation Highway Debt	978,425,000
Plus: Unamortized Statutory Applicable General Obligation Original Issue Premium (3)	55,761,512
Plus: Statutorily exempt Authority Lease Revenue Bonds	3,795,000
The Authority's Estimated Additional Debt Incurring Capacity	$1,537,708,449

(1) Based on estimates of 2002 taxable values which are preliminary and subject to change. See "FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—Property Tax Matters–Taxable Value Compared with Fair Market Value of All Taxable Property in the State" below.
(2) Based on estimates of 2001 taxable values which are preliminary and subject to change. For purposes of calculating debt incurring capacity only, the value of all motor vehicles and state–assessed commercial vehicles (which value is determined by dividing the uniform fee revenue by 0.015) is added to the fair market value of the taxable property in the State.
(3) Reflects original issue premium that was treated as principal for purposes of calculating the applicable constitutional and statutory debt limits.

See "DEBT STRUCTURE OF THE STATE OF UTAH—Legal Borrowing Authority" above.

The State's Limited Lease Rental Obligation

The State Building Ownership Act provides that, except as otherwise provided therein, bonds issued by the Authority thereunder shall be payable solely out of rentals or lease payments received by the Authority for the facilities constructed or acquired thereunder, and that, if the rentals paid by a lessee State agency to the Authority, from its own appropriated budget or other revenue sources, are insufficient to pay the principal and interest on such bonds, the Governor may request the Legislature to appropriate additional funds to that agency for the payment of increased rentals. The Legislature may, but is not required to, make such an appropriation. *Bonds issued pursuant to authorizing legislation of this type are sometimes referred to herein as "State Lease Rental Obligation Bonds."*

Debt Issuance

Current Lease Revenue Obligation Bonds Outstanding. Under the State Facilities Master Lease Program, no debt service reserve fund is created for any bonds issued under the Indenture of Trust, Assignment of State Facilities Master Lease Agreement and Security Agreement, dated as of September 1, 1994, as amended and supplemented (the "Authority Indenture") between the Authority and Wells Fargo Bank Northwest, National Association, as trustee, and the State Facilities Master Lease Agreement, dated as of September 1, 1994, as amended and supplemented, between the Authority and the State acting through DFCM. Under this program, all bonds are issued on a parity basis and are cross–collateralized by the facilities subject to the lien of the Authority Indenture and the respective Mortgage, Security Agreement and Assignment of Rent.

Bonds issued under the State Facilities Master Lease Program are not classified as State Moral Obligation Bonds as defined in "DEBT STRUCTURE OF THE STATE OF UTAH—Covenant Regarding Legislative Appropriations; State Financing Consolidation Act; "Moral Obligation Bonds"" above. However, such bonds are considered to be State Lease Rental Obligation Bonds.

The Authority has the following bonds outstanding:

Issued On A Parity Basis Under The State Facilities Master Lease Program

(1) Series	Purpose	Original Amount	Final Maturity Date	(10) Outstanding as of June 26, 2003
2001C (2)	University of Utah	$ 30,300,000	May 15, 2022	$ 30,300,000
2001A	University of Utah	69,850,000	May 15, 2021	69,850,000
2001B	Various purpose	25,780,000	May 15, 2024	25,750,000
1999A (3)	Various purpose	9,455,000	May 15, 2021	8,835,000
1998C (3)	Refunding	105,100,000	May 15, 2019	104,910,000
1998A (3)	Various purpose (8)	25,710,000	May 15, 2020	16,565,000
1998B (3) (7)	University of Utah	23,091,478	May 15, 2005	23,091,478
1997A (4)	DABC 1997A Facilities	4,150,000	May 15, 2018	3,510,000
1996A (5)	Various purpose	44,725,000	May 15, 2007 (9)	7,455,000
1996B (6)	University of Utah	16,875,000	May 15, 2013	12,550,000
1995A (5)	Various purpose	93,000,000	May 15, 2007 (9)	15,435,000
1994A (5)	Various purpose	30,915,000	May 15, 2005 (9)	3,700,000
Total State Facilities Master Lease Program Bonds				$321,951,478

(1) Unless as otherwise indicated, the Authority's bonds issued under the State Facilities Master Lease Program have an underlying rating of "Aa1" by Moody's and "AA+" by S&P, as of the date of this OFFICIAL STATEMENT. No rating was requested from any other rating agency.
(2) The 2001C Lease Revenue Bonds bear interest at a variable interest rate. As of the date of this OFFICIAL STATEMENT, the 2001C Lease Revenue Bonds have been rated "Aaa/VMIG1" by Moody's and "AAA/A–1+" by S&P.
(3) These bonds are rated "Aaa" (FSA Insured) by Moody's, and "AAA" (FSA Insured) by S&P, as of the date of this OFFICIAL STATEMENT.
(4) The 1997A Lease Revenue Bonds are rated "Aaa" (Ambac Insured) by Moody's and "AAA" (Ambac Insured) by S&P, as of the date of this OFFICIAL STATEMENT.
(5) Portions of this bond have been refunded by the 1998C Lease Revenue Bonds.
(6) The 1996B Lease Revenue Bonds are rated "Aaa" (MBIA Insured) by Moody's and "AAA" (MBIA Insured) by S&P, as of the date of this OFFICIAL STATEMENT.
(7) The Authority has received payments of approximately $29.6 million, which it has caused to be invested in United States Treasury STRIPS that mature on May 15, 2005 in an amount sufficient to pay debt service due on May 15, 2005 of $31,585,000.
(8) $3,795,000 of these bonds are exempt from the Authority's borrowing capacity statutory limit.
(9) Final maturity date after portions of this bond were refunded by the 1998C Lease Revenue Bonds.
(10) This is the scheduled issuance date for the Bonds.

Other series of bonds issued by the Authority, as listed below under the caption "Issued Under Separate Stand Alone Legal Documents," are not issued on a parity basis with the bonds issued under the State Facilities Master Lease Program or each other. Separate debt service reserve funds have been established and funded for each of these other series of bonds.

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Issued Under Separate Stand Alone Legal Documents

(1) Series	Purpose	Original Amount	Final Maturity Date	Outstanding as of June 26, 2003
1993A........	Human Services Building	$ 6,230,000	January 1, 2013	$ 3,965,000
1993B........	State Board of Education	8,160,000	January 1, 2014	5,430,000
1992A........	Employment Security (2)	26,200,000	August 15, 2011	15,785,000
1992B........	Youth Corrections	1,380,000	August 15, 2011	860,000
Total Authority's other bonds				$26,040,000

(1) These outstanding lease revenue bonds of the Authority are rated "Aa1" by Moody's, and "AA+" by S&P, as of the date of this OFFICIAL STATEMENT. No rating was requested from any other rating agency.
(2) Refunding issue.

Summary

Total State Facilities Master Lease Program Bonds outstanding	$321,951,478
Total Authority's other bonds outstanding	26,040,000
Total	$347,991,478

(Source: Zions Bank Public Finance.)

Authorized Lease Revenue Bonds and Future Bonds Issuance. Notwithstanding the legal debt issuing capacity of the Authority discussed in this section under "Legal Borrowing Debt Capacity" above, the Authority may only issue bonds for facilities authorized by the Legislature. Under existing legislative authorization, the Authority has approximately $30.2 million ($15.3 million for capital projects from a 2003 authorization; $1.8 million for capital projects from a 2002 authorization; $10.5 million for capital projects from a 2000 authorization; and $2.5 million for capital projects from a 1999 authorization) aggregate principal amount of additional authorized and unissued lease revenue bonds available for future projects that may be undertaken solely by vote of the Authority.

The Authority anticipates issuing approximately $18 million of its authorized bonds during the later part of calendar year ending December 31, 2003.

No Defaulted Authority Bonds Or Failures By State To Renew Lease

As of the date of this OFFICIAL STATEMENT, neither the Authority nor the State has ever failed to pay when due the principal of and interest on its bonded indebtedness and other payment obligations related thereto. As of the date of this OFFICIAL STATEMENT, the State has never failed to renew an annually renewable lease with the Authority.

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Debt Service Schedule of Outstanding Lease Revenue Bonds (State Building Ownership Authority) (Fiscal Year)

Issued under the State Facilities Master Lease Program

Fiscal Year Ending	Series 2001C $30,300,000		Series 2001A $69,850,000		Series 2001B $25,780,000		Series 1999A $9,455,000		Series 1998C $105,100,000		Series 1998A $25,710,000	
June 30	Principal (1)	Interest (2)	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2003………………	$ 0	$ 382,434 (3)	$ 0	$ 3,472,500	$ 10,000	$ 1,183,740	$ 300,000	$ 490,688	$ 50,000	$ 5,741,930	$ 2,370,000	$ 941,040
2004………………	0	984,750	0	3,472,500	395,000	1,183,440	310,000	474,938	50,000	5,739,930	2,485,000	822,540
2005………………	2,100,000	984,750	2,000,000	3,472,500	865,000	1,170,603	330,000	458,663	55,000	5,737,930	2,615,000	698,290
2006………………	1,100,000	916,500	3,175,000	3,392,500	895,000	1,136,003	345,000	441,338	1,120,000	5,735,675	705,000	567,540
2007………………	1,300,000	880,750	3,125,000	3,233,750	935,000	1,100,203	365,000	423,225	1,170,000	5,688,635	735,000	536,520
2008………………	1,400,000	838,500	3,250,000	3,077,500	965,000	1,062,803	380,000	404,063	7,715,000	5,638,325	775,000	503,445
2009………………	1,500,000	793,000	3,375,000	2,915,000	1,005,000	1,024,203	405,000	384,113	8,130,000	5,214,000	805,000	468,570
2010………………	1,500,000	744,250	3,500,000	2,746,250	1,055,000	984,003	425,000	362,850	8,575,000	4,766,850	840,000	431,540
2011………………	1,600,000	695,500	3,650,000	2,571,250	1,090,000	941,803	450,000	340,538	9,065,000	4,295,225	885,000	392,060
2012………………	1,700,000	643,500	3,800,000	2,388,750	1,135,000	898,203	470,000	316,913	8,995,000	3,796,650	920,000	349,580
2013………………	1,800,000	588,250	3,975,000	2,198,750	1,175,000	852,803	495,000	292,238	9,490,000	3,301,925	970,000 (t4)	304,500
2014………………	1,800,000	529,750	4,175,000	2,000,000	1,225,000	804,628	525,000	266,250	10,010,000	2,779,975	1,025,000 (t4)	253,575
2015………………	1,900,000	471,250	4,400,000	1,791,250	1,280,000	753,178	550,000 (t2)	238,425	9,540,000	2,229,425	1,070,000 (t4)	199,763
2016………………	1,900,000	409,500	4,625,000	1,571,250	1,335,000	698,138	580,000 (t2)	208,175	9,950,000 (t3)	1,704,725	1,130,000 (t4)	143,588
2017………………	2,000,000	347,750	4,850,000	1,340,000	1,400,000	631,388	615,000 (t2)	176,275	9,835,000 (t3)	1,157,475	1,190,000 (t4)	84,263
2018………………	2,100,000	282,750	5,100,000	1,097,500	1,465,000	561,388	640,000 (t2)	142,450	8,940,000 (t3)	616,550	135,000 (t4)	21,788
2019………………	2,100,000	214,500	5,350,000	842,500	1,550,000	488,138	680,000 (t2)	107,250	2,270,000 (t3)	124,850	135,000 (t4)	14,700
2020………………	2,200,000	146,250	5,600,000	575,000	1,620,000	410,638	720,000 (t2)	69,850	–	–	145,000 (t4)	7,613
2021………………	2,300,000	74,750	5,900,000	295,000	1,705,000	329,638	550,000 (t2)	30,250	–	–	–	–
2022………………	–	–	–	–	1,760,000 (t1)	244,388	–	–	–	–	–	–
2023………………	–	–	–	–	1,850,000 (t1)	151,988	–	–	–	–	–	–
2024………………	–	–	–	–	1,045,000 (t1)	54,863	–	–	–	–	–	–
Totals………………	$ 30,300,000	$10,928,684	$69,850,000	$42,453,750	$25,760,000	$16,666,180	$ 9,135,000	$5,628,492	$104,960,000	$64,270,075	$18,935,000	$6,740,915

Issued under the State Facilities Master Lease Program

Fiscal Year Ending	Series 1998B $23,091,478		Series 1997A $4,150,000		Series 1996A $44,725,000		Series 1996B $16,875,000		Series 1995A $93,000,000		Series 1994A $30,915,000	
June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2003………………	$ 0	$ 0	$ 155,000	$ 179,953	$ 1,630,000	$ 499,675	$ 945,000	$ 700,340	$ 3,450,000	$ 970,972	$ 1,710,000	$ 297,736
2004………………	0	0	160,000	172,823	1,720,000	410,025	995,000	653,090	3,575,000	794,160	1,805,000	205,396
2005………………	23,091,478	8,493,522	170,000	165,463	1,820,000	315,425	1,040,000	603,340	3,760,000	610,942	1,895,000	106,120
2006………………	–	–	180,000	157,643	1,905,000	215,325	1,095,000	551,340	3,945,000	418,242	0	0 (r)
2007………………	–	–	190,000	149,363	2,010,000	110,550	1,150,000	496,590	4,155,000	216,060	0	0 (r)
2008………………	–	–	195,000	140,623	0	0 (r)	1,205,000	439,090	0	0 (r)	0	0 (r)
2009………………	–	–	205,000	131,458	0	0 (r)	1,270,000	377,635	0	0 (r)	0	0 (r)
2010………………	–	–	215,000	121,618	0	0 (r)	1,335,000	311,595	0	0 (r)	0	0 (r)
2011………………	–	–	230,000	111,298	0	0 (r)	1,410,000 (t8)	240,840	0	0 (r)	0	0 (r)
2012………………	–	–	240,000	100,028	0	0 (r)	1,485,000 (t8)	164,700	0	0 (r)	0	0 (r)
2013………………	–	–	250,000	88,028	0	0 (r)	1,565,000 (t8)	84,510	0	0 (r)	0	0 (r)
2014………………	–	–	265,000	75,528	0	0 (r)	–	–	0	0 (r)	0	0 (r)
2015………………	–	–	280,000 (t5)	62,013	0	0 (r)	–	–	0	0 (r)	0	0 (r)
2016………………	–	–	295,000 (t5)	47,663	0	0 (r6)	–	–	0	0 (r)	0	0 (r)
2017………………	–	–	310,000 (t5)	32,544	0	0 (r)	–	–	0	0 (r)	0	0 (r)
2018………………	–	–	325,000 (t5)	16,656	0	0 (r)	–	–	0	0 (r9)	0	0 (r10)
2019………………	–	–	–	–	0	0 (r7)	–	–	–	–	–	–
2020………………	–	–	–	–	–	–	–	–	–	–	–	–
2021………………	–	–	–	–	–	–	–	–	–	–	–	–
2022………………	–	–	–	–	–	–	–	–	–	–	–	–
2023………………	–	–	–	–	–	–	–	–	–	–	–	–
2024………………	–	–	–	–	–	–	–	–	–	–	–	–
Totals………………	$ 23,091,478	$ 8,493,522	$ 3,665,000	$ 1,752,702	$ 9,085,000	$ 1,551,000	$13,495,000	$4,623,070	$ 18,885,000	$ 3,010,376	$ 5,410,000	$ 609,252

(1) These principal payments are based on the Authority's current expectations for the redemption of the 2001C Bonds. The Authority is not required by the Indenture to provide for such payment in advance of the maturity date of the 2001C Bonds. The maturity date for the 2001C Bonds is May 15, 2022.

(2) The 2001C Bonds are variable rate interest bonds. Interest has been estimated at an average coupon rate of 3.25% per annum.

(3) Includes $355,921 of actual interest paid from July 1, 2002 to May 31, 2003. From June 1, 2003 to June 30, 2003, interest has been estimated at 1.05% per annum ($26,513).

(t1) Mandatory sinking fund payments from a $4,655,000 5.25%, term bond due May 15, 2024.

(t2) Mandatory sinking fund payments from a $4,335,000 5.50%, term bond due May 15, 2021.

(t3) Mandatory sinking fund payments from a $30,995,000 5.50%, term bond due May 15, 2019.

(t4) Mandatory sinking fund payments from a $5,800,000, 5.25%, term bond due May 15, 2020.

(t5) Mandatory sinking fund payments from a $1,210,000, 5.125%, term bond due May 15, 2018.

(t8) Mandatory sinking fund payments from a $4,460,000, 5.40%, term bond due May 15, 2013.

(r) Principal and interest have been refunded by the 1998C Bonds.

(r6) Principal and interest have been refunded by the 1998C Bonds ($5,140,000, 6.00%, term bond which was due May 15, 2016).

(r7) Principal and interest have been refunded by the 1998C Bonds ($7,960,000, 6.00%, term bond which was due May 15, 2019).

(r9) Principal and interest have been refunded by the 1998C Bonds ($18,555,000, 5.75%, term bond which was due May 15, 2018).

(r10) Principal and interest have been refunded by the 1998C Bonds ($3,425,000, 6.25%, term bond which was due May 15, 2018).

Debt Service Schedule of Outstanding Lease Revenue Bonds (State Building Ownership Authority)(Fiscal Year) –continued

Issued Under Stand Alone Legal Documents

Fiscal Year Ending June 30	Series 1993B; $8,160,000 Principal	Series 1993B Interest	Series 1993B Total Debt Service	Series 1993A; $6,230,000 Principal	Series 1993A Interest	Series 1993A Total Debt Service	Series 1992B; $1,380,000 Principal	Series 1992B Interest	Series 1992B Total Debt Service	Series 1992A; $26,200,000 Principal	Series 1992A Interest	Series 1992A Total Debt Service
2003…………	$ 360,000	$ 294,866	$ 654,866	$ 300,000	$ 216,355	$ 516,355	$ 70,000	$ 51,703	$ 121,703	$ 1,310,000	$ 936,923	$ 2,246,923
2004…………	380,000	278,126	658,126	315,000	202,405	517,405	75,000	47,714	122,714	1,380,000	863,275	2,243,275
2005…………	395,000	260,076	655,076	330,000	187,443	517,443	80,000	43,373	123,373	1,460,000	784,445	2,244,445
2006…………	415,000	240,820	655,820	345,000	171,355	516,355	85,000	38,669	123,669	1,545,000	699,533	2,244,533
2007…………	440,000	220,070	660,070	360,000	154,105	514,105	90,000	33,638	123,638	1,640,000	608,350	2,248,350
2008…………	460,000	198,070	658,070	380,000	136,105	516,105	95,000	28,319	123,319	1,735,000	511,319	2,246,319
2009…………	485,000	174,610	659,610	400,000	116,725	516,725	100,000	22,713	122,713	1,835,000	408,681	2,243,681
2010…………	510,000	149,633	659,633	425,000	96,125	521,125	105,000	16,819	121,819	1,945,000	300,006	2,245,006
2011…………	540,000 (t11)	123,113	663,113	445,000 (t12)	74,025	519,025	110,000	10,500	120,500	2,060,000	184,863	2,244,863
2012…………	570,000 (t11)	94,763	664,763	470,000 (t12)	50,663	520,663	120,000	3,600	123,600	2,185,000	62,819	2,247,819
2013…………	600,000 (t11)	64,838	664,838	495,000 (t12)	25,988	520,988	–	–	–	–	–	–
2014…………	635,000 (t11)	33,338	668,338	–	–	–	–	–	–	–	–	–
2015…………	–	–	–	–	–	–	–	–	–	–	–	–
2016…………	–	–	–	–	–	–	–	–	–	–	–	–
2017…………	–	–	–	–	–	–	–	–	–	–	–	–
2018…………	–	–	–	–	–	–	–	–	–	–	–	–
2019…………	–	–	–	–	–	–	–	–	–	–	–	–
2020…………	–	–	–	–	–	–	–	–	–	–	–	–
2021…………	–	–	–	–	–	–	–	–	–	–	–	–
2022…………	–	–	–	–	–	–	–	–	–	–	–	–
2023…………	–	–	–	–	–	–	–	–	–	–	–	–
2024…………	–	–	–	–	–	–	–	–	–	–	–	–
Totals…………	$ 5,790,000	$2,132,323	$7,922,323	$ 4,265,000	$ 1,431,294	$ 5,696,294	$ 930,000	$ 297,048	$ 1,227,048	$ 17,095,000	$ 5,360,214	$ 22,455,214

Fiscal Year Ending June 30		Total Bonds issued under **State Facilities Master Lease Program*** Total Principal	Total Interest	Total Debt Service	Total Bonds issued under **Stand Alone Legal Documents** Total Principal	Total Interest	Total Debt Service	**Total All Lease Obligations*** Total Principal	Total Interest	Total Debt Service
2003…………	………………………………………………	$ 10,620,000	$ 14,861,008	$ 25,481,008	$ 2,040,000	$1,499,847	$ 3,539,847	$ 12,660,000	$ 16,360,855	$ 29,020,855
2004…………	………………………………………………	11,495,000	14,913,592	26,408,592	2,150,000	1,391,520	3,541,520	13,645,000	16,305,112	29,950,112
2005…………	………………………………………………	39,741,478	22,817,548	62,559,026	2,265,000	1,275,337	3,540,337	42,006,478	24,092,885	66,099,363
2006…………	………………………………………………	14,465,000	13,532,106	27,997,106	2,390,000	1,150,377	3,540,377	16,855,000	14,682,483	31,537,483
2007…………	………………………………………………	15,135,000	12,835,646	27,970,646	2,530,000	1,016,163	3,546,163	17,665,000	13,851,809	31,516,809
2008…………	………………………………………………	15,885,000	12,104,349	27,989,349	2,670,000	873,813	3,543,813	18,555,000	12,978,162	31,533,162
2009…………	………………………………………………	16,695,000	11,307,979	28,002,979	2,820,000	722,729	3,542,729	19,515,000	12,030,708	31,545,708
2010…………	………………………………………………	17,445,000	10,468,956	27,913,956	2,985,000	562,583	3,547,583	20,430,000	11,031,539	31,461,539
2011…………	………………………………………………	18,380,000	9,588,514	27,968,514	3,155,000	392,501	3,547,501	21,535,000	9,981,015	31,516,015
2012…………	………………………………………………	18,745,000	8,658,324	27,403,324	3,345,000	211,845	3,556,845	22,090,000	8,870,169	30,960,169
2013…………	………………………………………………	19,720,000	7,711,004	27,431,004	1,095,000	90,826	1,185,826	20,815,000	7,801,830	28,616,830
2014…………	………………………………………………	19,025,000	6,709,706	25,734,706	635,000	33,338	668,338	19,660,000	6,743,044	26,403,044
2015…………	………………………………………………	19,020,000	5,745,304	24,765,304	–	–	–	19,020,000	5,745,304	24,765,304
2016…………	………………………………………………	19,815,000	4,783,039	24,598,039	–	–	–	19,815,000	4,783,039	24,598,039
2017…………	………………………………………………	20,200,000	3,769,695	23,969,695	–	–	–	20,200,000	3,769,695	23,969,695
2018…………	………………………………………………	18,705,000	2,739,082	21,444,082	–	–	–	18,705,000	2,739,082	21,444,082
2019…………	………………………………………………	12,085,000	1,791,938	13,876,938	–	–	–	12,085,000	1,791,938	13,876,938
2020…………	………………………………………………	10,285,000	1,209,351	11,494,351	–	–	–	10,285,000	1,209,351	11,494,351
2021…………	………………………………………………	10,455,000	729,638	11,184,638	–	–	–	10,455,000	729,638	11,184,638
2022…………	………………………………………………	1,760,000	244,388	2,004,388	–	–	–	1,760,000	244,388	2,004,388
2023…………	………………………………………………	1,850,000	151,988	2,001,988	–	–	–	1,850,000	151,988	2,001,988
2024…………	………………………………………………	1,045,000	54,863	1,099,863	–	–	–	1,045,000	54,863	1,099,863
Totals…………	………………………………………………	$332,571,478	$166,728,018	$499,299,496	$28,080,000	$9,220,879	$37,300,879	$360,651,478	$175,948,897	$536,600,375

* Preliminary; subject to change. The Authority has variable interest rate demand bonds outstanding.

(t11) Mandatory sinking fund payments from a $2,345,000, 5.25%, term bond due January 1, 2014.
(t12) Mandatory sinking fund payments from a $1,410,000, 5.25%, term bond due January 1, 2013.

(Source: The Authority.)

State Guaranty Of General Obligation School Bonds

Under the Utah School Bond Guaranty Act (the “Guaranty Act”) which took effect on January 1, 1997, the full faith and credit, and unlimited taxing power of the State is pledged to guaranty full and timely payment of the principal of and interest on general obligation bonds (“Guarantied Bonds”) issued by qualifying boards of education of Utah school districts (“Qualifying School Boards”). The primary purpose of the Guaranty Act is to reduce borrowing costs for Qualifying School Boards by providing credit enhancement for Guarantied Bonds.

In the event a Qualifying School Board is unable to make the scheduled debt service payments on its Guarantied Bonds, the State is required to make such payments in a timely manner. For this purpose, the State may (a) use any of its available moneys, (b) seek a short–term loan from the Permanent School Fund (although the Fund is not required to make the loan) or (c) issue its short–term general obligation notes. The Qualifying School Board remains liable to the State for any such payments on Guarantied Bonds.

The State may seek reimbursement for such payments (plus interest and penalties) by intercepting State financial aid intended for the Qualifying School Board. See “FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—Property Tax Matters” below. The Guaranty Act also contains provisions to compel the Qualifying School Board to levy a tax sufficient to reimburse the State for such payments and to provide oversight to assure that the Qualifying School Board will ultimately be responsible for payment of debt service on the Guarantied Bonds.

The State Superintendent of Public Instruction is charged by the Guaranty Act with the responsibility of monitoring the financial affairs, condition, and solvency of each local school board in the State and reporting, at least annually, its conclusions to the Governor, the Legislature and the State Treasurer. The State Superintendent must report immediately to the Governor and the State Treasurer any circumstances suggesting that a local school board will be unable to pay when due its debt service obligations and recommend a course of remedial action.

The State does not expect that it will be required to advance moneys for the payment of debt service on Guarantied Bonds in the foreseeable future. Accordingly, the State believes that it would normally have sufficient cash available to make such payments. In the event sufficient moneys are not available, the Guaranty Act provides that the State may issue its general obligation notes on an expedited basis in an amount sufficient to make the necessary payment plus costs of issuance. The payments of principal of and interest on such notes from taxes or other identified State revenues are secured by a pledge of the full faith, credit, and resources of the State. The Guaranty Act also provides that such notes do not constitute debt of the State for purposes of the debt limitation of the Utah Constitution.

The State guaranty is extended by the State Treasurer to a Qualifying School District after a review of the application and a recommendation for the guaranty by the State Superintendent of Public Instruction. The State Treasurer has the authority to withhold any guaranty or to terminate the issuance of future guaranties at any time. Determinations of future ineligibility do not reverse or remove prior State guaranties.

During the Fiscal Year, 2003, the State will have approximately $1.47 billion principal amount outstanding of Guarantied Bonds. The State cannot predict the amount of bonds that may be guarantied in this year or in future years; no limitation is currently imposed by the Guaranty Act.

As of the date of this OFFICIAL STATEMENT, the State has not been requested to make payments on any Guarantied Bonds under the provisions of the Guaranty Act.

No Defaulted Bonds

The State has never failed to pay when due the principal of and interest on its bonded indebtedness and other payment obligations related thereto.

FINANCIAL INFORMATION REGARDING THE STATE OF UTAH

Current Economic Overview[3]

General

As has been the case for the national economy, the State's economy has been much weaker during the past two years than in previous years. While the State's economy is expected to remain flat or to decline moderately in the short–term, the long–term economic outlook is favorable for a variety of reasons, including the State's diversified economy, continued population growth and other favorable demographic characteristics.

Specific Economic Performance Measures

The State's population continues to grow albeit more slowly than in the late 1990's. According to the Utah Population Estimates Committee, the State's population reached 2,338,761 in 2002. This is an increase of 42,790 persons, or 1.9%, since the 2001 estimate. The State consistently ranks among the fastest growing states in the nation and was recently ranked as the seventh fastest–growing state in the nation by the U.S. Census Bureau. Births account for approximately 60% of the State's population growth with the balance coming from in–migration.

During 2002, the State experienced its worst economic slump since the 1950's. Nonfarm employment decreased by 8,300 jobs, a contraction of 0.8% and the largest since 1954. This compares with a national contraction of 0.9% for 2002.

The State's unemployment rate rose from 4.4% in 2001 to 6.1% in 2002. This unemployment rate was the highest in a decade and was slightly higher than the equivalent national unemployment rate of 5.8%. An average of about 70,000 people were out of work each month in 2002.

The 2002 rate of job change in the State's major industries ranged from a 9.2% decrease in construction to a 5.3% increase in miscellaneous services. Information fell by 6.6%, manufacturing fell by 6.0%, mining fell by 3.0%, and trade, transportation and utilities fell by 2.5%. In contrast, finance grew by 1.9%, education and health services grew by 3.5%, and leisure and hospitality grew by 5.1%. Growth in the finance industry resulted from low interest rates which encouraged mortgage refinancing and other interest–sensitive transactions. In 2003, construction is expected to continue to fall, though not as rapidly, and most other industries are expected to improve.

According to the North American Industry Classification System ("NAICS"), the State's largest industry is trade, transportation, and utilities, comprising 20.3% of all employment. Other large industries include government (17.6%), professional and business services (12.6%), manufacturing (11.3%), and education and health services (10.1%).

The State's average annual pay for a nonagricultural job was $30,200 during 2002, up 1.8% from 2001. This is the eighth year in a row that wages have grown faster than inflation, which was 1.6% (as measured by the U.S. Consumer Price Index) in 2002.

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3 This overview is the product of the Demographic and Economic Analysis Section of the Governor's Office of Planning and Budget.

The State's total personal income increased by 2.7% in 2002, compared with 3.0% nationally for the same year. This was slower than the 2001 rate of personal income growth which was 4.3% for the State and 3.3% for the nation. However, the downward trend in personal income growth appears to have reversed as the data for the quarter ending December 31, 2002, showed the State's personal income growing by 1.2%, compared to 0.31% in the previous quarter and compared to the national growth rate for the quarter of 0.90%.

The State's economy is well balanced and diversified with a broad base of industries. Based on the Hachman Index,[4] the State's economic diversity has increased over time as the industries in which the State has previously specialized (federal government and extractive industries) have contracted, while new industries (computer hardware and software, biomedical, tourism, and particular types of manufacturing) have emerged.

Revenues and Expenditures for Fiscal Years 2003, 2002 and 2001

The following table summarizes the State's revenues and expenditures for Fiscal Years 2003, 2002 and 2001:

Analysis of Operations—General Fund and Major Special Revenue Funds (1)

	Fiscal Year Ending June 30, 2003 (*)		Fiscal Year Ending June 30, 2002		Fiscal Year Ending June 30, 2001	
	Amounts (in thousands)	% Change From Prior Year	Amounts (in thousands)	% Change From Prior Year	Amounts (in thousands)	% Change From Prior Year
Revenues (1)						
Federal revenues	$1,896,724	3%	$1,846,910	8%	$1,708,063	8%
Individual and corporate income taxes	1,727,380	1	1,709,107	(10)	1,895,817	3
Sales tax	1,478,765	–	1,473,479	1	1,465,301	5
Motor/special fuel taxes	327,550	2	321,682	4	310,000	(1)
Other taxes	216,486	9	198,438	3	193,530	(17)
Liquor profits	32,300	(1)	32,541	8	30,253	6
Other	520,212	(4)	541,212	(3)	558,601	7
Total	$6,199,417	1%	$6,123,369	(1)%	$6,161,565	4%
Expenditures	$6,296,924	1%	$6,258,170	6%	$5,917,805	5%

(*) 2003 estimates as of April 2003.

(1) Includes revenues and expenditures for the General Fund and the Major Special Revenue Funds (Uniform School Fund, Transportation Fund, and Centennial Highway Fund).

(Source: Division of Finance and the 2002 CAFR.)

4 This index measures how closely the employment distribution of the subject region resembles that of the reference region. The value of the index is between zero and one. As the value of the index approaches one, it indicates that the subject region's employment distribution among industries is more similar to that of the reference region. If the Hachman Index value equals one, then the subject's economy is identical to the reference region. In this scenario, the subject region is the State and the reference region is the United States. The State scores a 0.98 on the Hachman Index. The assumption is that the nation's economy is diversified, thus a larger value of the Hachman Index relative to the nation means that a subject region has a more diversified economy.

Recent Developments

Background

The State has two major funds to pay for most government operations, the General Fund and the Uniform School Fund. By law, the Uniform School Fund can only be used for public education (kindergarten through 12th grade) and higher education (State colleges, universities and technical schools). The General Fund holds money for most other State functions except transportation, which has its own funds.

Budget Management

The State ended Fiscal Year 2002 with a surplus of $2.1 million. Half of this amount was transferred by law to the Budget Reserve Account described below. The other half was carried forward for appropriation in Fiscal Year 2003.

As described below, the State is operating under a balanced budget for Fiscal Year 2003 and the Legislature has adopted a balanced budget for Fiscal Year 2004.

The Fiscal Year 2003 budget was initially established by actions of the Legislature in the 2002 General Session. For the General Fund and the Uniform School Fund, the initial estimate of revenues was $3.69 billion. The revised estimate for such revenues used by the Legislature during the 2003 General Session was $3.45 billion. Special sessions of the Legislature were called by the Governor during 2002 to address declining revenues. (Since general sessions of the Legislature begin in January and are constitutionally limited to 45 calendar days,[5] it is not unusual for the Legislature to address budgetary matters in several sessions as additional information about revenues and expenditures becomes available.)

To achieve a balanced budget for Fiscal Year 2003, the Legislature reduced program budgets, used appropriations for capital projects which will now be financed by general obligation bonds, transferred funds from restricted funds and tobacco settlement funds, and used other miscellaneous sources. Those adjustments also made funding available for increases in Medicaid, public education and higher education, and increased benefits for State and higher education employees. In addition, the adjustments resulted in funds that will be carried forward for use in Fiscal Year 2004.

For the Fiscal Year 2004 budget, the estimated revenues used by the Legislature during the 2003 General Session were $3.54 billion. The Legislature balanced the budget by using the funds carried over from Fiscal Year 2003, eliminating sales tax exemptions, implementing additional program reductions, transferring moneys from restricted and tobacco settlement funds, and utilizing other miscellaneous sources. Those adjustments also made funding available for increases in Medicaid, public education and higher education, and increased benefits for State and higher education employees.

Budget Reserve Accounts

The State maintains a Budget Reserve Account (the "Rainy Day Fund"). The Rainy Day Fund can be used only to cover operating deficits or retroactive tax refunds. To cover budget shortfalls for Fiscal Year 2002, the Legislature appropriated approximately $105 million from the Rainy Day Fund.

The 2002 Legislature passed legislation providing for the replenishment of the Rainy Day Fund by transferring annually to the Rainy Day Fund 50% of any General Fund surplus until appropriations from the Rainy Day Fund have been repaid.

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5 The State Constitution requires the General Session of the Legislature to convene on the third Monday in January, the Legislature will consider the budget for the upcoming fiscal year several months before that fiscal year begins. For example, the 2003 Legislature adopted earlier this year the budget for Fiscal Year 2004 which begins July 1, 2003 and ends June 30, 2004.

The 2003 Legislature passed legislation that also allows payments from the Rainy Day Fund for State settlement agreements approved by the Legislature.

The current balance in the Rainy Day Fund is approximately $19.8 million.

During the 2003 General Session, legislation was approved that establishes the Education Budget Reserve Account (the "Education Reserve") in addition to the Rainy Day Fund. The Education Reserve is a reserve to cover operating deficits in the public and higher education systems. The Education Reserve is to receive 25% of any surplus in the Uniform School Fund at the end of each fiscal year. To limit the total amount that may be held in the Rainy Day Fund and the Education Reserve, the legislation also established a ceiling on the combined balances of the Rainy Day Fund and the Education Reserve equal to 6% of the combined total of appropriations for all purposes from the General Fund and the Uniform School Fund.

Highway Programs

In 1998, the State began a 10–year plan to construct and improve various highways throughout the State (the "Centennial Highway Program"). The current estimated cost of the planned projects through Fiscal Year 2007 is approximately $3.36 billion. By the end of Fiscal Year 2003, it is expected that approximately $2.38 billion will have been spent.

The largest component of the plan was the reconstruction and expansion of the main interstate highway ("I–15") running through the Salt Lake County metropolitan area. The I–15 project was completed in July 2001 at a cost of $1.56 billion. The other projects within the 10–year plan are in various stages of planning and construction.

Because the construction schedule for the 10–year plan requires the expenditure of moneys faster than funds will be collected, it has been and will be necessary for the State to borrow money to finance the program. To date, various sessions of the Legislature have authorized the issuance of approximately $1.30 billion of highway general obligation bonds, most of which have been issued.

To pay for the $3.36 billion cost of the Centennial Highway Program, the State is using $1.04 billion from the State's General Fund**,** with the balance coming from fuel taxes, registration fees, federal funds and other sources.

The Centennial Highway Program is in addition to the regular five–year highway construction, repair and maintenance program of the Utah Department of Transportation. This five–year highway program is primarily funded from fuel taxes, registration fees, federal funds and other sources. Approximately $100 million is spent on this five–year highway program each year.

Financial Settlement with the Tobacco Industry

The State was one of 46 states that entered into a master settlement agreement with major tobacco manufacturing companies in November 1998. Under the terms of the agreement, the State received approximately $32.5 million during Fiscal Year 2002 and approximately $32.3 million during Fiscal Year 2003. The State anticipates receiving settlement payments of approximately $28 million per year until Fiscal Year 2008 when "strategic payments" begin. (Strategic payments refer to added payments to the State as a result of its participation as a plaintiff in the lawsuits against the tobacco companies.) However, the settlement payments are subject to a number of adjustments which may substantially reduce or increase the amount the State will ultimately receive and to the ability of the tobacco companies to pay such settlement payments.

In 2000, State voters approved an amendment to the State Constitution to establish a permanent State trust fund to hold a portion of the tobacco settlement payments and to provide procedures for the disposition of those payments and assets of the trust. The constitutional amendment provides, in effect, that the settlement payments are to be appropriated by the Legislature[6] and that the assets in the trust fund cannot be appropriated except by a three–fourths vote of both houses of the Legislature. However, income from the trust fund is to be deposited into the General Fund and is available for appropriation by the Legislature.

The 2000 Legislature allocated 50% of the tobacco settlement payments to the trust fund, with the remaining 50% of the settlement payments allocated to certain health–related programs including children's health, cancer research and treatment, and smoking prevention and cessation. The 2003 Legislature adjusted this allocation formula as follows. For Fiscal Year 2004, 20% of the settlement payments are allocated to the trust fund and 80% of the settlement payments are allocated to the health–related programs. For Fiscal Years 2005 through 2007, the original 50%/50% allocation will apply. Beginning in Fiscal Year 2008 and thereafter, 60% of the settlement payments are allocated to the trust fund and 40% are allocated to the health–related programs.

The Legislature has also provided that 50% of the trust fund income is to remain in the trust fund while the remaining income may be appropriated by the Legislature for any State purpose.

During 2002 and 2003, the Legislature authorized the use of $44.4 million of tobacco settlement trust fund assets to balance the Fiscal Year 2003 deficits.

The current balance in the trust fund is approximately $11.7 million.

The State has not issued and does not plan to issue tobacco securitization bonds.

Federal Economic Stimulus and Tax Legislation

It is not expected that the Economic Growth and Tax Relief Reconciliation Act of 2001 and the Jobs and Growth Tax Relief Reconciliation Act of 2003 will have a substantial impact on the State's budget during the six–year period beginning with Fiscal Year 2002 and ending with Fiscal Year 2007. While those federal acts made a variety of changes that, among other things, affected federal grants to the State and the computation of State income taxes, it is currently expected that the total net impact of both acts will be to increase State revenues by about $26 million for the entire six–year period.

Future Considerations

Quality Growth

The State, like other rapidly growing states, faces ongoing challenges in providing infrastructure and public services to a growing population and expanding economy. State government provides leadership by investing in infrastructure, prudently managing State resources, and participating in long–range planning efforts.

Currently, the State is a major partner in a quality growth partnership called "Envision Utah." This is a multi–year, multi–million dollar, citizen–led effort to create a publicly supported quality growth strategy. In 1999, the Legislature passed the Quality Growth Act, creating a Quality Growth Commission to manage a critical land conservation fund and make recommendations to the Legislature about growth issues. The Commission is currently preparing an updated version of its quality growth strategy, which will help frame the future decisions of policymakers. Both of these efforts are intended to preserve and enhance the quality of life in the State.

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6 In all cases, the Governor must concur with the actions of the Legislature.

Quality growth planning efforts, the long–term economic stimulus of the 2002 Olympic Winter Games, and the ongoing diversification of the State's economy position the State favorably for the future. Other factors that bode well for the State's future are its well–educated and youthful workforce; the healthy lifestyles of its residents; a pro–business regulatory environment; low business taxes; and a solid utility, communications, education, and transportation infrastructure.

Demographic Factors

The State's ratio of dependents to non–dependents is nearly the highest in the nation according to the 2000 census. For every 100 people of working age, the State has 69 people who are not of working age, consisting of 16 children under the age of five, 39 school age children, and 14 seniors sixty–five and older. This compares to the national average of 11 under age five, 31 school age children, and 20 seniors, totaling 62 for every 100 people of working age.

Over the next decade, the State will add more than 100,000 new school age children and more than 300,000 people in the working age group. The growing number of school age children may stress State and local education resources. However, this growing workforce will help the State's economic future.

Currently, there are 481,200 children in public education. (The State's total population is approximately 2,339,000.) Enrollment growth for Fiscal Year 2004 is expected to be approximately 1%.

Enrollment growth is also occurring at the State's 10 higher education institutions. This growth is driven by the natural growth in the general population as well as by people seeking to improve their education during difficult economic times with the hope of securing better jobs.

Other Future Budgetary Considerations

As previously mentioned, future budgetary pressure will occur from enrollment growth in public and higher education. Budgetary pressure is also expected in the Medicaid program; required increases in funding the retirement systems for State and education employees; and increasing health care costs for State and education employees, inmates, and others in State custody and care.

Changes in Accounting Standards

GASB issued significant new accounting and reporting standards that were effective for Fiscal Year 2002. GASB Statement 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments changes the way governments report their financial information. The new reporting standards require the presentation of government–wide financial statements using the accrual basis of accounting and presents summarized information for governmental activities, business–type activities, and component units. The new government–wide balance sheet includes all the capital assets and long–term liabilities of the State, which were previously reported in account groups prior to the implementation of GASB Statement 34. The standards still require presentation of the governmental fund statements using the modified accrual basis of accounting, but the reporting focus changed to individual major funds rather than fund types and the criteria for determining fund types was changed.

The most significant changes in governmental fund classification for the State were the reclassification of water and housing loan programs from the General Fund to proprietary funds, resulting in a reduction of beginning General Fund balance of $286.9 million. Other significant changes in governmental fund classification were the reclassification of the Trust Lands nonexpendable trust fund to a permanent fund and several miscellaneous trust funds to special revenue funds. The reclassification of the trust funds to special revenue funds resulted in an increase in beginning governmental fund balances of $62.1 million.

Management's Discussion And Analysis Of Financial Statements

The State prepared a narrative discussion, overview, and analysis of the financial activities of the State for the Fiscal Year 2002. For the complete discussion see "APPENDIX A—BASIC FINANCIAL STATEMENTS OF THE STATE OF UTAH FOR THE FISCAL YEAR ENDED JUNE 30, 2002–Management's Discussion and Analysis" (after the Independent State Auditor's Report) below.

The Management's Discussion and Analysis of the Financial Statements for the Fiscal Year 2003 is not available. Under State law the State must complete its annual financial report for the Fiscal Year 2003 by December 31, 2003.

Five–Year Financial Summaries

The following summaries were extracted from the State's audited financial statements for the Fiscal Years 1998 through 2002. The summaries have not been audited. The financial information presented in the summaries is presented on a fund statement basis and not on a government–wide statement basis.

Five–year historical summaries have been prepared for the Combined Balance Sheet—All Governmental Fund Types Only; Statement of Revenues, Expenditures and Changes in Fund Balance—General Fund; and Statement of Revenues, Expenditures and Changes in Fund Balance—Major Special Revenue Funds.

The five–year summary of Statement of Revenues, Expenditures and Changes in Fund Balance—Major Special Revenue Funds has been included to show the State's sources of revenue for and expenditures on public education and transportation.

Unless otherwise noted, the financial information for the Fiscal Years' prior to Fiscal Year 2002 have not been restated to reflect the changes in accounting standards.

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State of Utah

Combined Balance Sheet—All Governmental Fund Types Only

(This summary is unaudited)

	Fiscal Year Ended June 30 (in thousands)				
	2002 (1)	2001 (2)	2000	1999	1998
Assets:					
Cash and cash equivalents	$ 284,444	$ 586,836	$ 659,836	$ 419,820	$ 360,754
Investments	785,121	313,565	292,254	412,513	663,566
Receivables:					
Accounts, net (3)	485,522	523,415	335,129	348,356	346,036
Accrued taxes, net (3)	581,065	548,537	380,909	355,872	344,831
Notes / mortgages, net (4)	13,355	280,350	256,979	189,138	178,933
Accrued interest (4)	32	1,952	1,817	1,944	1,624
Due from other funds	54,173	115,209	72,685	76,414	106,693
Due from component units	29,016	29,939	22,031	44,711	–
Interfund loans receivable	44,638	24,322	28,699	30,611	23,640
Inventories	8,894	8,728	9,721	10,529	10,464
Total assets	$ 2,286,260	$ 2,432,853	$ 2,060,060	$ 1,889,908	$ 2,036,541
Liabilities and fund balances:					
Liabilities:					
Accounts payable and accrued liabilities	$ 510,618	$ 423,000	$ 393,282	$ 394,397	$ 359,352
Due to other funds	65,469	98,126	58,361	63,535	95,313
Due to component units	–	359	75	–	–
Deferred revenue (3)	279,983	392,194	114,351	45,742	51,332
Interfund loans payable	2,478	2,478	2,478	–	–
Leave/Postemployment benefits (5)	–	260,268	248,149	228,758	202,759
Total liabilities	858,548	1,176,425	816,696	732,432	708,756
Fund balances:					
Reserved	801,664	764,662	755,004	905,733	1,010,987
Unreserved designated	385,833	393,290	328,501	272,169	292,947
Unreserved undesignated (6)	240,215	98,476	159,859	(20,426)	23,851
Total fund balances	1,427,712	1,256,428	1,243,364	1,157,476	1,327,785
Total liabilities and fund balances	$ 2,286,260	$ 2,432,853	$ 2,060,060	$ 1,889,908	$ 2,036,541

(1) Beginning in Fiscal Year 2002, this summary includes balances of the State's major and nonmajor governmental funds except the Trust Lands permanent fund. These changes were necessary because of implementing GASB Statement 34. The comparability of 2002 balances to the 2001 and prior years' balances is affected.

(2) Prior to Fiscal Year 2002, this summary included balances from the State's Governmental fund types, which included the General Fund, Special Revenue Funds, Capital Projects Fund, and Debt Service Fund.

(3) Increases in these accounts, beginning with the Fiscal Year 2001, are mainly due to the implementation of GASB Statement 33, *Accounting and Financial Reporting for Nonexchange Transactions.* This statement resulted in greater amounts of Accounts Receivable, Accrued Taxes, and Deferred Revenue due to changes in revenue recognition criteria. The revenues resulting from the increased receivables were deferred because they were not available for use by the government during the period indicated.

(4) Decreases in these accounts, beginning in Fiscal Year 2002, are primarily due to the implementation of GASB Statement 34, which resulted in certain water loan funds and housing loan funds being reclassified from Governmental funds to Proprietary funds.

(5) Beginning in Fiscal Year 2002, Leave/Postemployment benefits liability and the related expenditure is no longer reported in the governmental fund statements as a result of additional guidance in GASB Interpretation 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

(6) The deficit in Fiscal Year 1999 was a result of contractual obligations being greater than available financial resources in the capital projects fund as allowed in statute. These contractual obligations were funded from the subsequent year's revenues and appropriations.

(Source: Division of Finance. Except as otherwise noted, this summary of financial information has been taken from the State's audited financial statements for the indicated years. This summary itself has not been audited.)

State of Utah

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Type — General Fund

(This summary is unaudited)

	Fiscal Year Ended June 30 (in thousands)				
	2002 (1)	2001	2000	1999	1998
Revenues:					
Taxes:					
Sales tax	$ 1,437,339	$ 1,441,046	$ 1,378,949	$ 1,324,608	$ 1,261,290
Other taxes	172,307	194,250	216,313	128,967	175,144
Total taxes	1,609,646	1,635,296	1,595,262	1,453,575	1,436,434
Other revenues:					
Federal contracts and grants	1,341,072	1,214,201	1,127,858	1,094,490	1,037,649
Charges for services	192,190	181,748	164,790	159,462	144,097
Licenses, permits and fees	17,721	16,963	16,738	16,328	14,422
Federal mineral lease	29,367	49,566	34,957	28,962	33,485
Investment income	15,333	45,468	35,600	28,966	28,638
Miscellaneous and other	114,449	74,325	85,202	44,228	47,342
Total revenues	3,319,778	3,217,567	3,060,407	2,826,011	2,742,067
Expenditures:					
Current:					
General government and courts	261,238	254,001	245,940	249,337	230,030
Human services and youth corrections	529,403	333,327	340,466	324,758	300,310
Corrections, adult	182,860	183,395	175,198	154,725	143,808
Public safety	147,728	120,454	107,554	103,777	87,703
Health and environmental quality	1,055,856	1,097,147	985,888	926,002	845,137
Higher education–state administration	42,155	36,118	31,280	28,693	18,770
Higher education–colleges and universities (2)	610,837	–	–	–	–
Employment and family services	321,154	286,304	285,517	302,665	285,602
Natural resources	119,383	104,859	97,586	90,794	88,529
Community and economic development	86,160	82,381	73,881	73,116	70,446
Business, labor, and agriculture	55,639	49,417	46,233	44,268	42,180
Leave/Postemployment benefits (3)	–	7,083	12,828	17,204	21,641
Total expenditures	3,412,413	2,554,486	2,402,371	2,315,339	2,134,156
Excess revenues over (under) expenditures	(92,635)	663,081	658,036	510,672	607,911
Other financing sources (uses):					
Proceeds of revenue bonds/contracts	–	1,602	–	–	954
General obligation bonds issued	–	–	–	15,000	8,500
Premium on bonds issued	–	–	–	650	261
Operating transfers in	223,529	268,793	248,069	225,520	176,856
Operating transfers out	(330,679)	(312,737)	(265,429)	(257,836)	(219,312)
Operating transfers from component units	–	526	–	–	–
Operating transfers to component units (2)	–	(537,279)	(503,641)	(483,901)	(463,272)
Total other financing sources (uses)	(107,150)	(579,095)	(521,001)	(500,567)	(496,013)
Beginning fund balance	708,067	646,959	525,268	519,700	416,539
Adjustments to beginning fund balance (4)	(140,257)	–	–	–	(485)
Beginning fund balance as adjusted	567,810	646,959	525,268	519,700	416,054
Residual equity transfers	–	(22,878)	(15,344)	(4,537)	(8,252)
Ending fund balances	$ 368,025	$ 708,067	$ 646,959	$ 525,268	$ 519,700

(1) Due to changes in accounting standards, the comparability of Fiscal Year 2002 balances to the Fiscal Year 2001 and prior years' balances is affected.

(2) State support of higher education—colleges and universities, starting in Fiscal Year 2002, is reported as a current expenditure under the GASB 34 reporting model. Previously, state support of higher education was shown as an operating transfer to components units for the Fiscal Years 1998 to 2001. These transfers to colleges and universities were substantially all of the operating transfers to component units.

(3) Beginning in Fiscal Year 2002, Leave/Postemployment benefits liability and the related expenditure is no longer reported in the governmental fund statements as a result of additional guidance in GASB Interpretation 6.

(4) Due primarily to changes in accounting standards.

(Source: Division of Finance. Except as otherwise noted, this summary of financial information has been taken from the State's audited financial statements for the indicated years. This summary itself has not been audited.)

State of Utah

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Type — Major Special Revenue Funds (1)

(This summary is unaudited)

	Fiscal Year Ended June 30 (in thousands)				
	2002 (2)	2001	2000	1999	1998
Revenues:					
Taxes:					
Sales tax	$ 36,140	$ 24,255	$ 21,120	$ 17,859	$ 17,905
Individual income tax	1,584,546	1,712,676	1,654,949	1,463,897	1,377,494
Corporate tax	124,561	183,141	186,936	192,221	196,275
Motor and special fuels tax	321,682	310,000	314,164	298,390	290,086
Other taxes (3)	26,131	(720)	17,601	21,710	29,509
Total taxes	2,093,060	2,229,352	2,194,770	1,994,077	1,911,269
Other revenues:					
Federal contracts and grants	505,838	493,862	447,750	448,696	345,099
Charges for services	23,438	35,461	32,031	29,869	29,591
Licenses, permits and fees	80,911	74,616	75,154	71,231	67,709
Federal aeronautics	31,026	33,386	26,859	18,737	22,762
Investment income	15,296	17,566	15,382	24,347	27,623
Miscellaneous and other	21,481	29,502	33,343	43,771	28,277
Total other revenues	677,990	684,393	630,519	636,651	521,061
Total revenues	2,771,050	2,913,745	2,825,289	2,630,728	2,432,330
Expenditures:					
Current:					
Public education	1,998,240	1,949,959	1,824,162	1,776,912	1,676,668
Transportation	847,517	877,653	892,130	975,146	1,038,522
Leave/Postemployment benefits (4)	–	2,103	4,745	6,682	(76)
Total expenditures	2,845,757	2,829,715	2,721,037	2,758,740	2,715,114
Excess revenues over (under) expenditures	(74,707)	84,030	104,252	(128,012)	(282,784)
Other financing sources (uses):					
Proceeds of revenue bonds/contracts	–	1,688	–	–	–
General obligation bonds issued	277,810	–	–	68,000	840,000
Premium on bonds issued	11,241	–	–	7,808	11,084
Operating transfers in	340,705	249,665	218,390	191,454	161,146
Operating transfers out	(369,293)	(460,906)	(345,198)	(320,417)	(238,006)
Operating transfers to component units	–	–	(13)	–	–
Total other financing sources (uses)	260,463	(209,553)	(126,821)	(53,155)	774,224
Excess of revenues over (under) expenditures and other uses	185,756	(125,523)	(22,569)	(181,167)	491,440
Beginning fund balance	377,980	503,503	526,240	707,407	215,967
Adjustments to beginning fund balance (5)	54,760	–	–	–	–
Beginning fund balance as adjusted	432,740	503,503	526,240	707,407	215,967
Residual equity transfers	–	–	(168)	–	–
Ending fund balances	$ 618,496	$ 377,980	$ 503,503	$ 526,240	$ 707,407

(1) The major special revenue funds include the Uniform School Fund, Transportation Fund, and Centennial Highway Fund.

(2) Due to changes in accounting standards, the comparability of the Fiscal Year 2002 statement to Fiscal Year 2001 and prior years' statements is affected.

(3) The negative revenue in Fiscal Year 2001 was a result of changes in the balance of receivables related to other taxes, that is, the accrued receivable balance related to other taxes at the end of Fiscal Year 2001 declined compared to the previous fiscal year and furthermore, the decline in the accrued receivable was greater than realized revenue.

(4) Beginning in Fiscal Year 2002, Leave/Postemployment benefits liability and the related expenditure is no longer reported in the governmental fund statements as a result of additional guidance in GASB Interpretation 6.

(5) Due primarily to changes in accounting standards.

(Source: Division of Finance. Except as otherwise noted, this summary of financial information has been taken from the State's audited financial statements for the indicated years. This summary itself has not been audited.)

Property Tax Matters

For a description of the security for the Bonds and the procedure by which taxes are abated to the extent that moneys are available from other sources sufficient to pay principal of and interest on the Bonds, see the caption "THE BONDS—Security For The Bonds" above.

Ad Valorem Tax Levy

Though authorized to do so under Section 59–2–901 of the Utah Code the State does not presently levy ad valorem property taxes. However, if the State does not have sufficient moneys available to pay principal and interest on its general obligation bonds from sources other than ad valorem taxes, the State Tax Commission would be required to levy ad valorem property taxes on all taxable property in the State to cover the deficit.

Property Tax Act

The State Constitution and the Property Tax Act, Chapter 2, Title 59, Utah Code (the "Property Tax Act"), provide that all taxable property is required to be assessed and taxed at a uniform and equal rate on the basis of 100% of its "fair market value" as of January 1 of each year, unless otherwise provided by law. Section 3 (2) (iv) of Article XIII of the State Constitution provides that the Legislature by the statute exempt from property tax up to 45% of the fair market value of residential property, as defined by statute. The Legislature enacted legislation, effective January 1, 1995, providing that the "fair market value" of primary residential property will be reduced by 45%. No more than one acre of land per residential unit may qualify for the residential exemption.

The following tables reflect the effect of the current 45% reduction from Fair Market Value for assessment of ad valorem property tax. The tables also show the Centrally–Assessed Property (as defined below) compared with the Locally–Assessed Property (as defined below).

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Taxable Value Compared with Fair Market Value of All Taxable Property in the State

Excluding Fee–In–Lieu Valuation (1)

Tax Year	Taxable Value (2)	% Change Over Prior Year	Fair Market Value	% Change Over Prior Year
2002 (3)	$115,680,233,866	4.9%	$161,910,433,752	5.7%
2001	110,257,942,274	7.9	153,111,458,035	7.6
2000	102,165,801,713	7.4	142,277,006,433	7.6
1999 (1)	95,139,285,276	5.2	132,182,523,915	5.5
1998	90,433,258,356	7.1	125,233,200,381	7.1

Including Fee–In–Lieu Valuation (1)

Tax Year	Taxable Value (2)	% Change Over Prior Year	Fair Market Value	% Change Over Prior Year
1998	$100,168,593,618	7.5%	$134,968,535,643	7.4%

(1) The law which imposes an age–based uniform fee in lieu of ad valorem tax on automobiles and other commercial vehicles took effect in 1999, as described below under the subheading "Uniform Fees." In the first table, the 1999 through 2002 values of property subject to such in–lieu fees is excluded from the Taxable Value and Fair Market Value of all taxable property in the State to reflect the fact that no ad valorem taxes are imposed upon such property. The second table sets forth the actual Taxable and Fair Market Value of taxable property in the State for 1998, during which the ad valorem tax applied to automobiles and other commercial vehicles. For purposes of comparing year 1998, the first table excludes the value of property presently subject to the in–lieu uniform fees from the property value totals as if the in–lieu fees had applied during all years.
(2) Taxable values were calculated by reducing the fair market value of primary residential property by 45%, representing the current partial property tax exemption for such property.
(3) Preliminary; subject to change.

Source as to Taxable Value: Property Tax Division, Utah State Tax Commission

(Source: Zions Bank Public Finance.)

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Historical Summaries Of Taxable Values Of Property

	2002		2001	2000	1999	1998
Set by State Tax Commission (Centrally Assessed)	(1) Taxable Value	% of T.V.	Taxable Value	Taxable Value	Taxable Value	Taxable Value
Total centrally assessed……………………………	$ 12,858,865,077	11.1 %	$ 14,087,152,916	$ 13,251,640,360	$ 13,108,017,179	$ 13,232,746,167
Set by County Assessor (Locally Assessed)						
Real property:						
Primary residential…………………………………	56,223,577,639	48.6	52,099,432,476	48,749,007,976	45,015,382,649	42,287,610,817
Other residential……………………………………	7,300,000,000	6.3	6,416,331,539	5,543,546,638	4,870,876,619	4,844,353,599
Commercial and industrial…………………..............	25,000,000,000	21.6	23,831,287,399	21,846,954,648	19,631,040,729	18,295,799,705
FAA…………………………………………………	1,000,000,000	0.9	981,941,330	969,320,147	897,505,511	548,195,618
Unimproved non FAA………………………………	4,500,000,000	3.9	4,042,602,174	3,490,666,889	3,710,095,599	3,688,451,350
Agricultural…………………………………………	350,000,000	0.3	346,658,254	338,214,540	0	0
Total real property………………………………	94,373,577,639	81.6	87,718,253,172	80,937,710,838	74,124,901,107	69,664,411,089
Personal property:						
Primary mobile homes………………………………	280,000,000	0.2	277,086,787	275,797,793	259,686,799	245,651,658
Secondary mobile homes……………………………	26,000,000	0.0	25,194,048	24,116,300	21,034,509	26,263,675
Other business personal……………………………	8,141,791,150	7.0	8,150,255,351	7,676,536,422	7,625,645,682	7,264,185,767
Total personal property…………………………	8,447,791,150	7.3	8,452,536,186	7,976,450,515	7,906,366,990	7,536,101,100
Fee in lieu property (2)……………………………………	0	0.0	0	0	0	9,735,335,262
Total locally assessed……………………………	102,821,368,789	88.9	96,170,789,358	88,914,161,353	82,031,268,097	86,935,847,451
Total taxable value………………………………	$ 115,680,233,866	100.0 %	$ 110,257,942,274	$ 102,165,801,713	$ 95,139,285,276	$ 100,168,593,618
Total taxable value (less fee in lieu)……………	$ 115,680,233,866		$ 110,257,942,274	$ 102,165,801,713	$ 95,139,285,276	$ 90,433,258,356

(1) Preliminary; subject to change.
(2) As a result of a change in law regarding automobiles and other commercial vehicles to an "age based fee," beginning in 1999 and thereafter, tl fee–in–lieu valuation is not determined and therefore is not available. See "FINANCIAL INFORMATION REGARDING THE STATE OF UTAH —Property Tax Matters–Uniform Fees" above

(Source: Property Tax Division, Utah State Tax Commission.)

The Property Tax Act provides that the State Tax Commission shall assess certain types of property ("Centrally–Assessed Property"), including (i) properties that operate as a unit across county lines that must be apportioned among more than one county or state, (ii) public utility (including railroad) properties, (iii) airline operating properties, (iv) geothermal properties and (v) mines, mining claims and appurtenant machinery, facilities and improvements, including oil and gas properties. All other taxable property ("Locally–Assessed Property") is required to be assessed by the county assessor of the county in which such Locally–Assessed Property is located. The Property Tax Act also establishes certain deadlines, procedures and requirements for, among other things, the assessment of Centrally–Assessed Property, and the challenging by property owners of such assessments. Once the required information is provided to the various county treasurers, they mail all property owners a tax notice that specifies the aggregate amount of taxes to be paid for State, county, city, town, school and other purposes.

Minimum Basic Tax Levy for School Districts. Before June 15, the State Tax Commission ascertains from the State Board of Education the number of weighted pupil units in each school district in the State for the school year commencing July 1 of the current year, estimated according to the Minimum School Program Act, and the money necessary for the cost of operation and maintenance of the Minimum School Program of the State. The State Tax Commission then estimates the amounts of all surpluses in the Uniform School Fund, as of July 1, of the current year, available for the operation and maintenance of the program, and estimates the anticipated income to the fund available for those purposes from all sources, including revenues from taxes on income or from taxes on intangible property.

The State Tax Commission then determines for each school district the amount to be raised by the minimum basic tax levied by the school district as its contribution toward the cost of the Basic State–Supported School Program (the "Basic Program"), as required by the Minimum School Program Act. If the levy raises an amount in excess of the total Basic Program for a school district, the excess amount shall be remitted by the school district to the State Board of Education to be credited to the Uniform School Fund for allocation to school districts to support the Basic Program. If the levy does not raise an amount in excess of the total Basic Program for a school district, then the difference between the amount which the local levy will raise within the school district, and the total cost of the Basic Program within the school district shall be computed. This difference shall be apportioned from the Uniform School Fund to each school district as the contribution of the State to the Basic Program for the school district.

The State mandates that each school district levy a minimum basic tax rate per dollar of taxable value, which changes annually, in order to qualify for receipt of the State contribution toward the Basic Program. If the minimum basic tax rate exceeds the certified revenue levy, the State shall publish a notice to the effect no later than 10 days after the last day of the annual legislative general session. "Certified Revenue Levy" means a property tax levy that provides the same amount of ad valorem property tax revenue as was collected for the prior year, plus new growth, but exclusive of revenue from collections from redemptions, interest, and penalties.

Uniform Fees. An annual statewide uniform fee is levied on certain tangible personal property in lieu of the ad valorem tax. The uniform fee is based on the value of motor vehicles, watercraft, recreational vehicles, and all other tangible personal property required to be registered with the State. The current uniform fee is equal to 1.5% of the fair market value of motor vehicles that weigh 12,001 pounds or more, watercraft, recreational vehicles and all other tangible personal property required to be registered with the State excluding exempt property such as aircraft and property subject to the fixed age based fee. The uniform fee for aerial applicators is 0.2% and the uniform fee for all other aircraft is 0.4%. On January 1, 1999, legislation became effective that made motor vehicles weighing 12,000 pounds or less subject to an "age based" fee that is due each time the vehicle is registered. The age based fees is for passenger type vehicles and ranges from $10 to $150 based on the age of the vehicle. The revenues collected from the various uniform fees are distributed by the county of each taxing entity in which the property is located in the same proportion in which revenue collected from ad valorem real property tax is distributed.

Property Tax Valuation Agency Fund. Commencing January 1, 1994, the State created the Property Tax Valuation Agency Fund (the "PTVAF"), to be funded by a multicounty assessing and collecting levy to promote the accurate valuation of property, the establishment and maintenance of uniform assessment levels within and among counties, and the efficient administration of the property tax system, including the costs of assessment, collection and distribution of property taxes. Money is disbursed from the PTVAF to each county based on statutory qualification and requirements..

Beginning in the Fiscal Year 1997, and subject to statutory adjustments thereafter, the State Legislature is required to authorize a multicounty assessing and collecting levy to fund the PTVAF that may not exceed (unless it provides public notice thereof) the certified revenue levy.

Budgetary Procedures

Budgetary Procedures Act. The Budgetary Procedures Act, Title 63, Chapter 38, Utah Code (the "Budget Act") establishes the process through which the State budget is prepared by the Governor and prescribes all information to be included in the Governor's budget. Portions of the Budget Act are summarized below.

The Governor is required to submit a budget to the Legislature for each fiscal year. The budget is required to show, among other things, (i) a complete plan of proposed expenditures and estimated revenues for the ensuing fiscal year, (ii) the revenues and expenditures for the last fiscal year, and (iii) current assets, liabilities and reserves, any surplus or deficit and the debts and funds of the State. The budget is required to include an itemized estimate of appropriations for payment and discharge of the principal and interest of the indebtedness of the State, among other things. Deficits or anticipated deficits must be included in the budget.

The total appropriations requested for expenditures authorized by the budget must not exceed the estimated revenues from taxes, fees and all other sources for the next ensuing fiscal year.

The Budget Act applies to all moneys appropriated by the Legislature. Unless specifically exempted by the appropriations act, all departments, agencies and institutions of the State that accept moneys appropriated do so subject to the terms and provisions of the Budget Act. No appropriation or any surplus of any appropriation may be diverted from the department, agency, institution or division for which they were appropriated. Appropriated moneys may be subject to any restrictions set forth in the appropriation or any schedules or other restrictions provided by the Legislature. Transfers of moneys from one purpose or function to another within an item of appropriation are permissible at the discretion of the Governor as provided in the Budget Act. Appropriated moneys may not be transferred from one item of appropriation to any other item of appropriation without legislative approval.

Unexpended Balances. Except for certain funds detailed in the Budget Act or funds that may be exempted by the annual appropriations act, the Director of Finance must, at the end of each fiscal year, close out to the proper fund or account for all remaining unexpended and unencumbered balances of appropriations made by the Legislature.

Budgetary Controls. The Director of Finance is required to exercise accounting control over all State departments, institutions and agencies other than the Legislature and legislative committees. The Director of Finance must require the head of each department to submit not later than May 15 of each year a work program (budget) for the ensuing fiscal year. Such program must include all funds from any source whatsoever made available to each department for its operation. The Director of Finance and the State Budget Officer are required to review the work program of each department. The Director of Finance must, if the Governor deems necessary, revise, alter, decrease or change such work programs before or after approving the same. The aggregate of such work programs must not exceed the total appropriations or other funds from any source whatsoever made available to each department for the fiscal year in question. The Director of Finance must permit all expenditures to be made on the basis of such work programs. The

Director of Finance is required to examine and approve or disapprove all requisitions and requests for expenditures of any department, except the judicial department and salaries or compensation of officers fixed by law.

State Funds And Accounting

The Division of Finance maintains its accounting records in accordance with State law and in accordance with generally accepted accounting principles ("GAAP").

Funds are accounted for and reported in the following categories: governmental funds; proprietary funds; and fiduciary funds. Governmental funds include the General Fund, Special Revenue funds, Capital Projects funds, Debt Service funds, and Permanent funds. Proprietary funds include Enterprise and Internal Service funds. Fiduciary funds include Pension Trust funds, Investment Trust funds, Private Purpose Trust funds, and Agency Funds.

Major Governmental Funds

Fund reporting in the financial statements for governmental funds focuses on major funds as defined by GAAP. The State reports the following major governmental funds.

General Fund. The General Fund is the principal fund from which appropriations are made for State operations. It is specifically maintained to account for all financial resources and transactions not accounted for in another fund. The General Fund receives State sales taxes, which comprise the largest source of this Fund's revenues. Other principal sources of revenues include federal contracts, grants and mineral lease payments, State departmental collections and miscellaneous licenses, fees and taxes. Funding for debt service on the State's general obligation bonds is usually appropriated from the General Fund and transferred to the various bond sinking funds within the Debt Service Fund.

Uniform School Fund (Special Revenue Fund). The Uniform School Fund currently receives all individual income and corporate franchise taxes, which together comprise the majority of revenues to the Fund. federal grants and contracts related to State public education funding are a secondary source of revenues. If the revenues of the Uniform School Fund are insufficient, appropriations are made from the General Fund to assist in financing the State's portion of the State–Supported Minimum School Program as provided by law.

If revenues deposited into the General Fund are not sufficient to permit transfers to the Uniform School Fund as provided by appropriation, the Director of Finance, with the approval of the Governor, must withhold such transfers during the fiscal period. If this withheld transfer creates a deficit in the Uniform School Fund, the Legislature must provide funding to make up the deficit in the subsequent fiscal year.

Transportation Fund (Special Revenue Fund). The Transportation Fund receives motor and special fuel taxes and car and truck registration taxes, it also receives a significant portion of funding from federal grants and contracts.

Centennial Highway Fund (Special Revenue Fund). The Centennial Highway Fund was established in 1997 to account for all Centennial Highway projects, the largest of which is the I–15 reconstruction project. Sources of revenue include $^{1}/_{64}$% sales tax, federal grants, restricted vehicle registration fees, bond proceeds, investment earnings, and appropriations from the General and Transportation Funds.

Trust Lands (Permanent Fund). The Trust Lands Fund is a permanent fund that accounts for land grants and the sale of such lands received from the federal government under the federal *Enabling Act*. The principal in the fund is perpetual, with the earnings used primarily to support public education.

Nonmajor Governmental Funds

The State's nonmajor governmental funds include other special revenue funds, capital projects funds, and debt service funds. The nonmajor special revenue funds account for specific revenue sources that are legally restricted to expenditures for specific purposes. Examples include tobacco settlement monies, environmental activities, crime victim reparations and rural development programs.

The capital projects funds account for the resources obtained and used for the acquisition, construction or improvement of certain capital facilities. Such resources are principally derived from operating transfers from the General Fund and from bond proceeds.

The debt service funds are used to account for all State general obligation bond and certain revenue bond principal and interest payments made from individual sinking funds. Resources in debt service funds are provided by transfers from the General Fund or special revenue funds, certain pledged revenues, and investment earnings on moneys held in sinking funds (except as may be required by the proceedings authorizing the issuance of particular series of bonds).

State Tax System

The State's tax revenues are derived primarily from sales and use taxes, individual income taxes, motor fuel taxes, corporate franchise (income) taxes and also from numerous smaller sources including excise taxes on insurance premiums, beer, cigarettes and tobacco, severance taxes, investment income and numerous court and business regulation fees. These fees and taxes are regulated by the Legislature.

The State also receives revenues from unemployment compensation taxes (which tax is regulated by the federal government and set by a state setup corporation) and workers' compensation premium taxes (which tax is regulated by a quasi–state agency).

The State also has authority to levy and collect ad valorem property taxes, but has not done so since 1974. See "FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—Property Tax Matters" above.

In addition to the State's tax system, counties, cities and towns have authority to levy and collect sales and use taxes and property taxes. School districts, some special service areas and some special service districts have the authority to levy property taxes.

Property Tax

Property taxes are based on property valuation. Assessment levels are uniform throughout the State, but tax rates vary from entity to entity. See "FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—Property Tax Matters" above.

Individual Income and Corporate Franchise (Income) Tax

Individual Income Tax. The State is one of 43 states that impose an individual income tax. Following a general trend, in 1973 the State adopted federal definitions of, and amounts for, personal exemptions, standard deductions and itemized deductions. Currently, the basis for the State's individual income tax is an individual's federal taxable income to which certain modifications, subtractions and adjustments, are made to obtain the state taxable income. The individual income tax rates are graduated from 2.3% to 7%, with the top rate applying to state taxable incomes over $8,626 for those filing jointly or qualified heads of households, and state taxable incomes over $4,313 for single individuals.

Corporate Franchise (Income) Tax. The State imposes a tax on corporate net taxable income apportioned to the State. The rate is 5%. federal taxes are not deductible. Currently, the minimum tax is $100.

Sales and Use Tax

In 1933, a general sales tax was imposed to relieve the burden on the property tax and to bolster State revenues. Currently, the state sales and use tax rate is 4.75% of the purchase price of tangible personal property and certain services. The tax rate for gas, electricity, heat, coal, fuel oil or other fuels sold for residential use is 2%.

In general, State sales taxes are imposed based on retail sales or use of tangible personal property, admissions, meals, utility services, general services on tangible personal property, hotel and motel accommodations, and certain other items. Use tax also applies to (a) goods shipped to the State for use, storage, or other consumption, (b) goods purchased outside of the State for use, storage, or other consumption in the State, and (c) services subject to tax but performed outside the State for use, storage, or other consumption in State.

The State requires its largest sales taxpayers (with annual liabilities more than $50,000) to pay on a monthly basis. Monthly sales taxpayers and those paying via electronic funds transfer receive a 1.5% discount on state taxes. Because approximately 75% of the sales tax is now remitted monthly, the State's cash flow has less variations.

In November 1989, voters approved the allocation and use of a limited amount of sales tax proceeds to support the State's efforts to be awarded the 1998 or 2002 Olympic Winter Games. The voters authorized the allocation of tax proceeds generated by a $^{1}/_{64}$% tax rate on the items on which sales and use taxes are imposed by the State and an additional allocation of tax proceeds generated by a $^{1}/_{64}$% tax rate on the items on which sales and use taxes are imposed by the local governments adopting the optional local sales and use tax. No new taxes were imposed for this special purpose but it reallocated a small part of the taxes already imposed. These limited tax revenues were applied in this manner from January 1, 1990, until December 31, 1999. Beginning January 1, 2000, proceeds generated by the State's portion of $^{1}/_{64}$% tax rate are deposited into the Centennial Highway Fund. The local $^{1}/_{64}$% is now distributed to localities.

Beginning July 1, 1997, $^{1}/_{8}$% of the State's sales and use tax rate was apportioned 50% to the Water Resources Conservation and Development Fund and 50% to state and local transportation projects. Allowable water projects are: funding assistance to the Central Utah Project, conducting special hydrologic and geotechnical investigations, funding dam safety improvement, and protecting the State's interest in interstate water compact allocations. Sanctioned transportation projects include class "B" (city) and class "C" (county) roads, as well as special transportation corridor preservation and state park roads.

Local Taxes

In addition to the State's sales and use taxes, a uniform local sales and use tax of 1% applies in counties, cities and towns, which have adopted the local tax ordinance, 50% of such local sales tax revenue is allocated on the basis of direct point of sale and 50% is allocated on the basis of population. Cities are guaranteed at least 0.75% of point of sale under a hold–harmless provision.

Counties, cities and towns within an organized transit district may, if approved by voters, impose a sales and use tax levy of 0.25% on the same items to which other authorized sales and use taxes apply to fund a public transportation system. In addition, certain counties may, if approved by the voters, impose an additional .25% sales and use tax to fund a fixed guideway and expanded public transportation system. Cities not in an organized transit district may adopt a "highways tax" at 0.25% for construction and maintenance of highways.

In addition to the forgoing taxes certain counties, cities or towns may impose a number of other miscellaneous taxes.

Unemployment Compensation Tax

Employers of one or more persons in the State are subject to the State's unemployment tax, the proceeds of which are used to finance benefit payments to unemployed workers. The tax is based on employee earnings with the rate depending on several factors including annual and quarterly payroll stability and the age of the firm. As of June 30, 2002, the unemployment compensation fund had a fund balance of approximately $553.7 million.

Workers' Compensation Tax

Primary Insurance. Employers doing business in the State must provide worker's compensation insurance coverage for their employees in one of three ways. They may insure with the Workers' Compensation Fund ("WCF"), a non–profit, quasi–public Utah corporation; or they may insure with a private insurance carrier authorized to transact the business of workers' compensation insurance in the State; or, with the approval of the State Labor Commission, they may be self–insured. If the employer chooses to be insured by WCF or a private insurance carrier, the premium rates paid depend on the individual employer's claim loss experience as well as the particular industry in which the employer operates.

Employers' Reinsurance Fund. The Employers' Reinsurance Fund ("ERF"), covers employers for liability arising from industrial accidents or occupational diseases occurring on or before June 30, 1994. For claims resulting from an accident or disease arising out of and in the course of the employee's employment on or after July 1, 1994, the employer or its insurance carrier is liable for permanent total disability compensation. By statute, each year the State Labor Commission must establish a premium tax within a 9.25% maximum based upon the recommendation of an actuary for payment by insurers and self–insured employers. In 1994 the Legislature passed legislation limiting the State's liability to the cash or assets in the ERF only. By statute the State is not liable for the debts and obligations of the ERF. See "APPENDIX A—BASIC FINANCIAL STATEMENTS OF THE STATE OF UTAH FOR THE FISCAL YEAR ENDED JUNE 30, 2002—Notes to the Financial Statements—Note 12. Deficit Net Assets" herein.

Uninsured Employers' Fund. To assist in paying workers' compensation benefits to employees whose employers are insolvent, or are otherwise unable to pay the benefits owed to their employees, the State established an Uninsured Employers' Fund ("UEF") in 1984. The UEF is funded by a premium tax based upon the recommendation of an actuary in the same manner as ERF except that self–insured employers may be assessed an amount necessary to pay benefits due an employee of an insolvent self–insured and a subrogation right exists against any employer failing to make compensation payments. The premium tax rate is currently set at 0.25%. The liability of the State with respect to the payment of any compensation benefits, expenses, fees or disbursements properly chargeable against the UEF, is limited to the assets of the fund. By statute, the State is not otherwise liable for the making of any UEF payment.

Severance Taxes

Since 1937, the Legislature has provided for the levy of a mine occupation or severance tax on production and sale of oil, gas and metalliferous minerals in the State, including copper, lead, gold, silver, zinc, iron, tungsten, uranium, vanadium, and other valuable minerals.

In general, a severance tax of 3% to 5%, of the value, at the well, is imposed on oil and gas, including natural gas.

The severance tax on mines is 2.6% of the taxable value of all metals or metalliferous minerals sold or otherwise disposed of in the State or shipped out of State.

Highway Users' Taxes

Highway users' taxes can be divided into four major categories: motor and special fuel taxes, which constitutes the bulk (almost 80%) of highway users' taxes; motor vehicle registration and title fees; fees charged for the issuance of driver licenses; and additional fees charged to intrastate and interstate truck fleets. Funds derived from the highway users' taxes are used almost entirely for: State highway construction and maintenance; distribution to cities and counties for use on local roads and streets; policing the highways; and administrative and regulatory purposes in connection with the use of roads.

Miscellaneous Taxes and Fees

The State collects a number of miscellaneous taxes and fees. Most important of these are the insurance premium tax, cigarette and tobacco tax, wine and liquor tax, inheritance tax, environmental surcharge, waste tire fee, and fish and game license fees. Other State revenue sources include license fees and other fees collected by colleges, universities and State departments.

State Revenues, Expenditures And Fund Balances

The State receives revenues from three principal sources: (a) taxes and licenses; (b) federal grants–in–aid; and (c) miscellaneous charges and receipts, including fees, the State's share of mineral royalties, and bonuses on federal land. Revenues received in the governmental fund types (excluding the Trust Lands permanent fund) are as follows:

	Fiscal Year Ended June 30 (in thousands)									
	Estimated 2003 (*)	% (1)	2002	% (1)	2001	% (1)	2000	% (1)	1999	% (1)
Taxes (2)	$3,753,419	60%	$3,705,851	60%	$3,879,866	62%	$3,791,453	63%	$3,456,517	62%
Federal contracts and grants	1,902,412	30	1,856,477	30	1,708,087	27	1,575,608	26	1,543,186	28
All other misc. revenues (3)	628,825	10	639,710	10	655,329	11	655,820	11	559,111	10
Total all funds	$6,284,656	100%	$6,202,038	100%	$6,243,282	100%	$6,022,881	100%	$5,558,814	100%

(*) 2003 estimates as of April 2003.

(1) Percentage of total Governmental Fund Revenue. Beginning in Fiscal Year 2002, this summary includes revenues of the State's governmental funds except the Trust Lands permanent fund. These changes were necessary because of implementing GASB Statement 34. The comparability of 2003 and 2002 revenue amounts to the 2001 and prior amounts are affected. Prior to Fiscal Year 2002, this summary included revenues of the State's governmental fund types which include the General Fund, Special Revenue Funds (Uniform School Fund, Transportation Fund, Centennial Highway Fund, Sports Authority Fund, and several other minor funds), Capital Projects Fund and Debt Service Fund.

(2) Includes sales, individual income, corporate franchise, motor and special fuel taxes, and other miscellaneous taxes.

(3) Includes charges for services, licenses, permits, and fees, aeronautics, federal mineral lease revenues; intergovernmental revenues; interest on investments; liquor control profits; and other miscellaneous revenues.

(Source: Division of Finance.)

Revenue Summary. For the Fiscal Year 2002, General Fund revenues from all sources totaled approximately $3.35 billion. Of this amount, 43% came from sales taxes, 40% came from federal contracts and grants, 6% came from charges for services and licenses, permits and fees, 6% came from federal mineral lease investment income and miscellaneous and other revenues, and 5% came from other tax sources. The General Fund revenue includes credit for profits of the Liquor Enterprise Fund which amounted to $32.5 million.

In the Uniform School Fund for Fiscal Year 2002, revenues from all sources totaled approximately $2 billion. Of this amount, 79% came from individual income taxes, 13% came from federal contracts and grants, 6% came from corporate franchise taxes, 2% came from other miscellaneous revenue sources.

In the Transportation Fund for Fiscal Year 2002, revenues from all sources totaled approximately $697.4 million. Of this amount, 46% came from Motor and Special Fuel Taxes, 29% came from federal contracts and grants, 12% came from charges for services and licenses, permits, and fees, and 13% came from other miscellaneous unrestricted taxes and fees.

In the Centennial Highway Fund for Fiscal Year 2002, revenues from all sources totaled $72.8 million. Of this amount, 64% came from federal contracts and grants, 25% came from motor vehicle registration fees, 7% came from sales tax revenue, and 4% came from interest income.

Revenues by Source

All Governmental Fund Types (1)

	Fiscal Year Ended June 30 (in thousands)				
	Estimated 2003 (*)	2002 (1)	2001 (2)	2000	1999
Taxes:					
Individual income tax	$1,598,850	$1,584,546	$1,712,676	$1,654,949	$1,463,897
Sales and use tax	1,478,765	1,473,479	1,465,301	1,400,962	1,351,332
Motor and special fuel tax	327,550	321,682	310,000	314,164	298,390
Other taxes	219,724	201,583	208,748	234,442	150,677
Corporate franchise tax	128,530	124,561	183,141	186,936	192,221
Total taxes	3,753,419	3,705,851	3,879,866	3,791,453	3,456,517
Other revenues:					
Federal contracts and grants	1,902,412	1,856,477	1,708,087	1,575,608	1,543,186
Charges for services	218,050	222,669	236,986	217,621	206,420
Miscellaneous and other	172,092	176,895	112,970	119,189	89,604
Licenses, permits and fees	110,847	107,201	91,875	92,300	87,848
Investment income	30,518	31,240	65,068	55,804	58,055
Federal aeronautics	10,000	31,026	33,386	26,859	18,737
Federal mineral lease	40,748	30,527	49,566	34,957	28,962
Intergovernmental	14,270	7,611	35,225	80,431	42,526
Total other revenues	2,498,937	2,463,646	2,333,163	2,202,769	2,075,338
Total revenues	6,252,356	6,169,497	6,213,029	5,994,222	5,531,855
Liquor profit transfer	32,300	32,541	30,253	28,659	26,959
Total revenues and liquor profit transfer	$6,284,656	$6,202,038	$6,243,282	$6,022,881	$5,558,814

(*) 2003 estimates as of April 2003.

(1) Beginning in Fiscal Year 2002, this summary includes revenues of the State's governmental funds except the Trust Lands permanent fund. These changes were necessary because of implementing GASB Statement 34. The comparability of Fiscal Years 2003 and 2002 revenue amounts to the Fiscal Year 2001 and prior amounts are affected.

(2) Prior to Fiscal Year 2002, this summary included revenues of the State's governmental fund types which include the General Fund, Special Revenue Funds (Uniform School Fund, Transportation Fund, Centennial Highway Fund, Sports Authority Fund, and several other minor funds), Capital Projects Fund and Debt Service Fund.

(Sources: Division of Finance and the 2002 CAFR.)

Expenditures by Function

All Governmental Fund Types (1)

Function	Estimated 2003 (*)	2002 (1)	2001 (2)	2000	1999
	Fiscal Year Ended June 30 (in thousands)				
Public education	$2,018,376	$1,998,450	$1,949,959	$1,824,162	$1,776,912
Human services, health, corrections, And environmental quality	1,833,741	1,775,052	1,613,869	1,501,552	1,405,485
Transportation and public safety	958,560	999,332	998,107	999,684	1,078,923
Higher education	616,919	652,992	569,722	531,364	507,890
Employment and family services	371,619	321,154	286,304	285,517	302,665
General government and courts	273,130	287,024	256,505	248,301	249,337
Debt service	189,105	175,188	158,886	158,274	153,540
Natural resources	117,971	121,072	104,859	97,586	90,794
Capital outlay	193,560	112,569	153,126	191,819	190,496
Community and economic development	91,723	91,014	83,526	77,305	75,602
Business, labor and agriculture	60,689	63,940	49,672	46,555	44,474
Leave/Postemployment benefits (3)	–	–	9,186	17,573	23,886
Total expenditures All Governmental Fund Types	$6,725,393	$6,597,787	$6,233,721	$5,979,692	$5,900,004

(*) 2003 estimates as of April 2003.

(1) Beginning in Fiscal Year 2002, this summary includes revenues of the State's governmental funds except the Trust Lands permanent fund. These changes were necessary because of implementing GASB Statement 34. The comparability of the Fiscal Years 2003 and 2002 expenditures amounts to the Fiscal Year 2001 and prior amounts are affected.

(2) Prior to Fiscal Year 2002, this summary included expenditures of the State's governmental fund types which include the General Fund, Special Revenue Funds (Uniform School Fund, Transportation Fund, Centennial Highway Fund, Sports Authority Fund, and several other minor funds), Capital Projects Fund and Debt Service Fund.

(3) Beginning in Fiscal Year 2002, Leave/Postemployment benefits liability and the related expenditure is no longer reported in the governmental fund statements as a result of additional guidance in GASB Interpretation 6.

(Sources: Division of Finance and the 2002 CAFR.)

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Changes in All Governmental Fund Types (1)

	Fiscal Year Ended June 30 (dollars in millions)				
	Estimated 2003 (*)	2002 (1)	2001 (2)	2000	1999
Revenues	$6,285	$6,202	$6,243	$6,023	$5,559
% change over previous year	1.3%	(0.7)%	3.7%	8.3%	4.9%
Net other financing sources (3)	$312	$565	$18	$45	$168
Expenditures (4)	$6,725	$6,598	$6,234	$5,980	$5,900
% change over previous year	1.9%	5.8%	4.2%	1.4%	4.6%

(*) 2003 estimates as of April 2003.

(1) Beginning in Fiscal Year 2002, this summary includes revenues of the State's governmental funds except the Trust Lands permanent fund. These changes were necessary because of implementing GASB Statement 34. The comparability of Fiscal Years 2003 and 2002 expenditures amounts to the Fiscal Year 2001 and prior amounts are affected.

(2) Prior to Fiscal Year 2002, this summary included expenditures of the State's governmental fund types which include the General Fund, Special Revenue Funds (Uniform School Fund, Transportation Fund, Centennial Highway Fund, Sports Authority Fund, and several other minor funds), Capital Projects Fund and Debt Service Fund.

(3) Includes bond proceeds, net of any refunding issues, transfers from non–governmental funds, plus financing provided from capital leasing.

(4) Funding for expenditures is provided from revenues, beginning balances and bond proceeds; beginning balances are not reflected in this table.

(Sources: Division of Finance and the 2002 CAFR.)

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Fund Balances (1)

The 2003 estimates for fund balances are not available.

Fund Balances—All Governmental Fund Types

Fund	Fiscal Year Ended June 30 (in thousands)				
	2002 (2)	**Restated 2001**	2000	1999	1998
General (3)	$ 368,025	$ 567,810	$ 646,959	$ 525,268	$ 519,700
Special Revenue:					
Centennial Highway	305,357	63,933	119,056	284,862	458,853
Uniform School (4)	182,219	242,727	287,953	186,402	230,406
Transportation (5)	130,920	126,080	96,494	54,976	18,148
Tobacco Endowment	41,531	27,521	–	–	–
Environmental Reclamation (7)	24,058	21,556	–	–	
Crime Victim Reparation (7)	16,558	14,169	–	–	
Rural Development (6)	11,357	8,086	505	156	–
Universal Telephone (7)	8,895	10,473	–	–	
Miscellaneous Special Rev. (7)	6,847	5,895	–	–	
Consumer Education (6)	2,967	3,836	307	317	309
Sports Authority	689	1,127	5,503	7,795	937
State Capitol	21	7	–	–	–
Capital Projects	305,386	128,340	77,830	89,576	91,865
Debt Service	22,882	12,110	8,757	8,124	7,567
Total	$1,427,712	$1,233,670	$1,243,364	$1,157,476	$1,327,785

(1) Includes restricted and unrestricted fund balances.

(2) Beginning in Fiscal Year 2002, this summary includes fund balances of the State's governmental funds except the Trust Lands permanent fund. These changes were necessary because of implementing GASB Statement 34. The comparability of 2002 fund balance amounts to the 2001 and prior amounts is affected. Prior to Fiscal Year 2002, this summary included fund balances of the State's governmental fund types which include the General Fund, Special Revenue Funds (Uniform School Fund, Transportation Fund, Centennial Highway Fund, Sports Authority Fund, and several other minor funds), Capital Projects Fund and Debt Service Fund.

(3) The General Fund Fiscal Year 2001 ending fund balance was restated by ($140.3) million because of the following changes: a) reclassification of water and housing loan funds that were previously reported as a part of the General Fund, but now are reported as proprietary funds due to the implementation of GASB Statement 34 resulted in change of ($286.9) million; b) additional guidance from GASB Interpretation 6 increased fund balance by $142.4 million; and c) miscellaneous changes because of various fund reclassifications and prior period adjustments due to GASB Statement 34, these changes amounted to an increase in fund balance of $4.2 million.

(4) The Uniform School Fund Fiscal Year 2001 ending fund balance was restated by approximately $24.0 million due to: a) additional guidance in GASB Interpretation 6, which increased fund balance by $18.4 million; b) reclassification of Applied Technology Centers to a component unit resulted in a ($4.1) million change; and c) various fund reclassifications and prior period adjustments of $9.6 million due to GASB Statement 34.

(5) The Transportation Fund Fiscal Year 2001 ending fund balance was restated by $30.8 million primarily because of additional guidance in GASB Interpretation 6.

(6) The Consumer Education and Rural Development Funds had ending Fiscal Year 2001 fund balance restatements of $3.5 million and $6.5 million respectively, because of fund reclassifications due to the implementation of GASB Statement 34.

(7) The ending Fiscal Year 2001 fund balances for the following funds were reclassified to special revenue funds in the following amounts because of GASB Statement 34: a) Environmental Reclamation Fund–$21.6 million; b) Crime Victim Reparation Fund–$14.2 million; c) Universal Telephone Service Fund–$10.5 million; and d) Miscellaneous Special Revenue Funds–$5.9 million. These funds had previously been reported as trust funds or proprietary funds in the fiscal years prior to Fiscal Year 2002.

(Sources: Division of Finance and the 2002 CAFR.)

General Fund

Revenues, Expenditures and Fund Balances

	Fiscal Year Ended June 30 (in thousands)				
	Estimated 2003 (*)	2002 (1)	2001	2000	1999
Revenues:					
Sales tax	$1,444,650	$1,437,339	$1,441,046	$1,378,949	$1,324,608
Federal contracts and grants	1,447,340	1,341,072	1,214,201	1,127,858	1,094,490
Charges for services	188,170	192,190	181,748	164,790	159,462
Other taxes	192,930	172,307	194,250	216,313	128,967
Miscellaneous and other	110,000	114,449	74,325	85,202	44,228
Liquor profit (2)	32,300	32,541	30,253	28,659	26,959
Federal mineral leases	39,950	29,367	49,566	34,957	28,962
Licenses, permits and fees	20,100	17,721	16,963	16,738	16,328
Investment income	9,750	15,333	45,468	35,600	28,966
Total revenues	$3,485,190	$3,352,319	$3,247,820	$3,089,066	$2,852,970
% change over previous year	4.0%	3.2%	5.1%	8.3%	3.1%
Expenditures	$3,441,683	$3,412,413	$3,088,090	$2,902,455	$2,794,536
% change over previous year	0.9%	10.5%	6.4%	3.9%	7.8%
Fund Balance: (3)					
Unreserved, designated	na	$146,551	$187,491	$158,222	$109,336
Unreserved, undesignated	na	–	11,614	25,376	281
Reserved	na	221,474	508,962	463,361	415,651
Total fund balance	na	$368,025	$708,067	$646,959	$525,268

(na) Not available.

(*) 2003 estimates as of April 2003.
(1) Due to changes in accounting standards, the comparability of the Fiscal Years 2003 and 2002 statement to Fiscal Year 2001 and prior years' statements are affected.
(2) Liquor profits are reported as transfers into the General Fund.
(3) The Fund Balance is derived from revenues, expenditures, transfers and other financing sources which are not presented in this table and the beginning fund balance from the prior fiscal year.

(Sources: Division of Finance and the 2002 CAFR.)

Capital Expenditure Authorizations

The following table presents historical data on capital expenditures in the year authorized from all sources, including bond proceeds and other available funds. Included in these figures are capital outlay expenses and authorizations for the construction of new buildings and the improvement of existing buildings. These figures also include expenditures for the construction of buildings for higher education, water development or storage projects, flood control projects, the construction or improvement of roads and related transportation projects, State and some local recreation projects and local projects in energy–impacted areas funded with community impact moneys. These figures exclude debt service.

Capital Expenditure Authorizations (in millions)

Fiscal Year Ended June 30				
2004	2003	2002	2001	2000
$657.0	$871.7	$920.2	$799.7	$791.1

(Source: Governor's Office of Planning and Budget.)

Investment Of Funds

Investment of Operating Funds; The State Money Management Act. The State Money Management Act, Title 51, Chapter 7, Utah Code (the "MM Act") governs the investment of all public funds held by public treasurers in the State. It establishes criteria for investment of public funds with an emphasis on safety, liquidity, yield, matching strategy to fund objectives, and matching the term of investments to the availability of funds. The MM Act provides a limited list of approved investments, including qualified in–state and permitted out–of–state financial institutions, approved government agency securities and investments in corporate securities carrying "top credit ratings." The MM Act also provides for pre–qualification of broker dealers requiring that broker dealers must agree in writing to comply with the MM Act and certify that they have read and understand the MM Act. The MM Act establishes the Money Management Council (the "MM Council") to exercise oversight of public deposits and investments. The law requires all securities to be delivered versus payment to the treasurer's safekeeping bank. It requires diversification of investments, especially in securities of corporate issuers. Not more than 5% of the portfolio may be invested with any one corporate issuer. Investments in mortgage pools and mortgage derivatives or any security making unscheduled periodic principal payments are prohibited. The MM Act also defines the State's prudent investor rules. The MM Council is comprised of five members appointed by the Governor of the State for terms of four years, after consultation with the State Treasurer and with the advice and consent of the State Senate.

The State is currently complying with all of the provisions of the MM Act for all State operating funds. A significant portion of State funds are invested in the Utah Public Treasurers Investment Fund ("PTIF"), as discussed below.

The Utah Public Treasurers' Investment Fund. The PTIF is a local government investment fund established in 1981, and managed by the State Treasurer. The PTIF invests to ensure safety of principal, liquidity and a competitive rate of return. All moneys transferred to the PTIF are promptly invested in securities authorized by the MM Act. Safekeeping and audit controls for all investments owned by the PTIF must comply with the MM Act.

All investments in the PTIF must comply with the MM Act and rules of the MM Council. The PTIF invests only in securities authorized by the MM Act including time certificates of deposit, top–rated commercial paper and corporate notes, treasuries and certain agencies of the U.S. Government. The maximum weighted average adjusted life of the portfolio, by policy, is not to exceed 90 days. The maximum final maturity of any security purchased by the PTIF is limited to three years, except that a maximum maturity of five years is allowed for treasury or agency securities whose rate adjusts at least annually.

By law, investment transactions are conducted only through certified dealers, qualified depositories or directly with issuers of the securities. All securities purchased are delivered versus payment to the custody of the public treasurer's safekeeping bank, assuring a perfected interest in the securities. Securities owned by the PTIF are segregated from securities owned by the State. The State has no claim on assets owned by the PTIF except for any investment of State moneys in the PTIF. Deposits are not insured or otherwise guaranteed by the State. It is the stated policy of the State Treasurer to manage a stable net asset value pool and maintain a net asset value that does not deviate by more than 0.5%.

Securities in the PTIF include certificates of deposit, commercial paper, short–term corporate notes, obligations of the U.S. Treasury and securities of certain agencies of the U.S. Government. These short–term securities must be rated "first tier" ("A1," "P1," for short–term investments and "A" or better for long–term investments) by two nationally recognized statistical rating organizations, one of which must be Moody's or S&P. Variable rate securities in the PTIF must have an index or rate formula that has a correlation of at least 94% of the effective federal funds rate.

Investment activity of the State Treasurer in the management of the PTIF is reviewed monthly by the MM Council and is audited by the State Auditor. The PTIF fund, itself, is not rated.

See "APPENDIX A—BASIC FINANCIAL STATEMENTS OF THE STATE OF UTAH FOR THE FISCAL YEAR ENDED JUNE 30, 2002–Notes To The Financial Statements–Note 3. Deposits and Investments" and "–Note 4. Investment Pool" below.

Investment of Bond Proceeds. Proceeds of the Bonds will be held by the State and invested so as to be readily available. Bond proceeds may also be invested in the PTIF or other available investment funds authorized under the MM Act.

Retirement Systems

All full–time employees of the State are members of the Utah State Retirement System. For a discussion concerning the Utah State Retirement System see "APPENDIX A—BASIC FINANCIAL STATEMENTS OF THE STATE OF UTAH FOR THE FISCAL YEAR ENDED JUNE 30, 2002—Notes to the Financial Statements—Note 17. Pension Plans" and "–Note 18. Postemployment Benefits" below.

Risk Management And Insurance

The State is self–insured against certain property and liability claims. The Legislature established the Administrative Services Risk Management Fund to pay for commercial insurance or for the self–insured portion of certain property and liability risks. Revenues are generated from premiums charged to State departments and institutions of higher education and also from several local school districts and local health departments.

The property self–insurance limits are currently $1 million per claim with an annual aggregate of $2.5 million. Generally, claims in excess of the self–insured limits are covered by insurance policies with private insurance companies. This coverage has limits of $400 million at any single building, with overall limits in excess of $15.4 billion. The State has aggregate coverage of $175 million for earthquake and flood losses. Earthquake and flood losses above this limit are self–insured.

The State is self–insured for 100% of the liability claims.

As of June 30, 2002, the Administrative Services Risk Management Fund was estimated to have approximately $46.8 million in reserve available to pay for claims incurred. In the opinion of the State's Risk Manager, the available balance will be adequate to cover claims through June 30, 2003. The Legislature has chosen to fund the Risk Management Fund at this level, and it has been advised that any extremely large claims would need to be covered by an appropriation. See "APPENDIX A—BASIC FINANCIAL STATEMENTS OF THE STATE OF UTAH FOR THE FISCAL YEAR ENDED JUNE 30, 2002—Notes to the Financial Statements—Note 19. Risk Management And Insurance" below.

LEGAL MATTERS

Absence Of Litigation Concerning The Bonds

There is no litigation pending or threatened against the Bonds questioning or in any matter relating to or affecting the validity of the Bonds.

On the date of the execution and delivery of the Bonds, certificates will be delivered by the State to the effect that to the knowledge of the State, there is no action, suit, proceeding or litigation pending or threatened against the State, which in any way materially questions or affects the validity or enforceability of the Bonds or any proceedings or transactions relating to their authorization, execution, authentication, marketing, sale or delivery or which materially adversely affects the existence or powers of the State.

A non–litigation opinion issued by the State's Attorney General, dated the date of closing, will be provided stating, among other things, that there is not now pending, or to his knowledge threatened, any action, suit, proceeding, inquiry, or any other litigation or investigation, at law or in equity, before or by any court, public board or body, challenging the creation, organization or existence of the State, or the titles of its respective officers to their respective offices, or the ability of the State, or its respective officers to authenticate, execute or deliver the Bonds or such other documents as may be required in connection with the issuance and sale of the Bonds, or to comply with or perform its respective obligations thereunder, or seeking to restrain or enjoin the issuance, sale or delivery of the Bonds, or directly or indirectly contesting or affecting the proceedings or the authority by which the Bonds are issued, the legality of the purpose for which the Bonds are issued, or the validity of the Bonds or the issuance and sale thereof.

Miscellaneous Legal Matters

The State, its officers, agencies, and departments, are parties to numerous routine legal proceedings, many of which normally occur in governmental operations.

Attorney General's Opinion Of Effect Of Legal Proceedings On State's Ability To Make Timely Payments On Bonds

Based on discussions with representatives of the State's Executive and Legislative Departments, the Attorney General is of the opinion that the miscellaneous legal proceedings against the State, individually or in the aggregate, are not likely to have a material adverse impact on the State's ability to make its payments of the principal of and interest on the Bonds as those payments come due.

Tax Exemption

In the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Bond Counsel to the State, based on an analysis of currently existing laws, regulations, decisions and interpretations, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations, but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations. Bond Counsel is also of the opinion that interest on the Bonds is exempt from State of Utah individual income taxes under currently existing law.

The Internal Revenue Code of 1986, as amended (the "Code"), contains a number of requirements and restrictions which apply to the Bonds. The State has covenanted to comply with all such requirements and restrictions. Failure to comply with certain of such requirements and restrictions may cause interest on the Bonds to become includible in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. Bond Counsel has assumed, without undertaking to determine or confirm, continuing compliance by the State with such requirements and restrictions in rendering its opinion regarding the tax–exempt status of interest on the Bonds.

Although Bond Counsel will render an opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Bondholder's tax liability. The nature and extent of these other tax consequences will depend upon the Bondholder's particular tax status and the Bondholder's other items of income or deduction. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Original Issue Premium. The Bonds (collectively, the "Premium Bonds") are offered at a premium ("original issue premium") over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a Premium Bond through reductions in the holders' tax basis in the Premium Bond for determining taxable gain or loss from the sale or from redemption prior to maturity. Amortizable premium is accounted for as reducing the tax–exempt interest on the Premium Bond rather than creating a deductible expense or loss. Holders of Premium Bonds should consult their tax advisors for an explanation of the amortization rules.

General

The approving opinion of Ballard Spahr Andrews & Ingersoll, LLP, Bond Counsel to the State, concerning the validity of the Bonds, in substantially the form set out in APPENDIX C to this OFFICIAL STATEMENT, will be provided at the time of delivery of the Bonds. Ballard Spahr Andrews & Ingersoll, LLP, will act as Bond Counsel for the purpose of rendering its opinion: (1) as to the validity of the issuance and sale of the Bonds, and (2) as to (a) the exclusion from gross income of interest on the Bonds for federal income tax purposes, and (b) the exemption of interest on the Bonds from State of Utah individual income taxes. Copies of the opinion of Bond Counsel, in substantially the form set forth in APPENDIX C to this OFFICIAL STATEMENT, will be available upon request from the chief contact person for the State indicated under the heading "INTRODUCTION—Contact Persons" above.

Bond Counsel has reviewed those portions of the OFFICIAL STATEMENT captioned: "THE BONDS (except the portions under the captions "—Estimated Sources And Uses Of Funds", "—Book–Entry System", "—Security For The Bonds" (last paragraph), and "—Debt Service On The Bonds"), and "LEGAL MATTERS—Tax Exemption." Bond Counsel also prepared and has reviewed APPENDIX C to the OFFICIAL STATEMENT, which sets forth the anticipated form of Bond Counsel's opinion on the Bonds. Bond Counsel has not assumed responsibility for the remaining material in the OFFICIAL STATEMENT and has not verified independently the information set out therein. In addition, Bond Counsel has not assumed responsibility for any agreement, representations, offering circulars, or other material of any kind not mentioned in this paragraph, relating to the offering of the Bonds for sale.

Certain legal matters will be passed upon for the State by the Office of the Attorney General of the State. Certain matters will be passed upon for the successful bidder(s) by Chapman and Cutler, as Disclosure Counsel to the State.

MISCELLANEOUS

Bond Ratings

Fitch, Moody's and S&P have rated the Bonds "AAA," "Aaa," and "AAA," respectively, as of the date of this OFFICIAL STATEMENT.

Any explanation of the significance of these outstanding ratings may only be obtained from the rating service furnishing the same. The above ratings are not recommendations to buy, sell or hold the Bonds. There is no assurance that such ratings will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by the rating agencies if, in their judgment, circumstances so warrant. Any such downward change or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Financial Advisor

The State has entered into an agreement with Zions Bank Public Finance, Salt Lake City, Utah (the "Financial Advisor") whereunder the Financial Advisor provides financial recommendations and guidance to the State with respect to preparation for sale of the Bonds, timing of sale, tax–exempt bond market conditions, costs of issuance and other factors relating to the sale of the Bonds. The Financial Advisor has read, participated in the drafting of and provided the information in certain provisions of this OFFICIAL STATEMENT. The Financial Advisor has not otherwise audited, authenticated or verified the information set forth in the OFFICIAL STATEMENT, or any other related information available to the State, with respect to accuracy and completeness of disclosure of such information, and no guaranty, warranty or other representation is made by the Financial Advisor respecting accuracy and completeness of the OFFICIAL STATEMENT or any other matters related to the OFFICIAL STATEMENT. Financial Advisor fees are contingent upon the sale and delivery of the Bonds.

The Financial Advisor has obtained permission from the Commission to submit a bid or participate in a syndicate account for the purchase of the Bonds, on its behalf, at the public sale.

Independent Auditors

The Utah State Auditor, as stated in his report included as APPENDIX A to this OFFICIAL STATEMENT, has audited the financial statements as of June 30, 2002 and for the year then ended.

Additional Information

The foregoing description of the Bonds does not purport to be complete and is expressly made subject to the exact provisions of the complete documents, copies of which are available for inspection at the offices of the Financial Advisor during the offering of the Bonds, and subsequently, at the office of the Paying Agent in Salt Lake City, Utah.

Any statements in this OFFICIAL STATEMENT involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

The Appendices attached hereto are an integral part of this OFFICIAL STATEMENT and should be read in conjunction with the foregoing material.

This OFFICIAL STATEMENT and its distribution and use have been duly authorized by the State.

State of Utah

/s/ Edward T. Alter

Edward T. Alter, State Treasurer
Secretary, State Bonding Commission

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APPENDIX A

BASIC FINANCIAL STATEMENTS OF THE STATE OF UTAH
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

The Basic Financial Statements of the State for the Fiscal Year 2002 are contained herein. Copies of current and prior financial reports are available on the internet and upon request from the contact person as indicated under "INTRODUCTION—Contact Persons" above.

The Government Finance Officers Association of the United States and Canada ("GFOA") have awarded a Certificate of Achievement for Excellence in Financial Reporting to the State for its CAFR for the *seventeenth* consecutive year, beginning with Fiscal Year 1985 through Fiscal Year 2001. The CAFR for the Fiscal Year 2002 was submitted to GFOA and the determination of its eligibility for a certificate is pending.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only.

The State's CAFR for the Fiscal Year 2003 must be completed under State law by December 31, 2003.

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Office of the State Auditor

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UTAH STATE AUDITOR

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H. Dean Eborn, CPA
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Stan Godfrey, CPA
Jon T. Johnson, CPA

INDEPENDENT STATE AUDITOR'S REPORT

To the Members of the Legislature
of the State of Utah and
The Honorable Michael O. Leavitt
Governor, State of Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Utah as of and for the year ended June 30, 2002, which collectively comprise the State’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Utah Housing Corporation; Utah State University; Utah Valley State College; the University of Utah’s hospital and component units; portions of the Utah College of Applied Technology; Utah Public Employees Group Insurance; the Dairy Commission; and the Utah State Retirement Office, which represent 53 percent of the assets and 47 percent of the revenues of the aggregate discretely presented component units and 78 percent of the assets and 44 percent of the revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us; and our opinion, insofar as it relates to the amounts included for those agencies, funds, and component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Utah as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the financial statements, the State has implemented the financial reporting requirements of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; Statement No, 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and Interpretation No. 6 *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements* as of June 30, 2002.

The accompanying management discussion and analysis and the required supplementary information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Auston G Johnson

UTAH STATE AUDITOR
November 1, 2002

INTRODUCTION

The following is a discussion and analysis of the State of Utah's financial performance and position, providing an overview of the State's activities for the fiscal year ended June 30, 2002. Please read it in conjunction with the transmittal letter in the Introductory Section of this report and with the State's financial statements that follow this section. Beginning this year, the State implemented new reporting standards established by the Governmental Accounting Standards Board. These new standards significantly changed the content and structure of the financial statements. As a result, much of the information is not easily comparable to the previous year. Future reports will include extensive comparisons.

HIGHLIGHTS

Government-wide

- The State's net assets decreased $212.1 million or 2.0 percent over the prior year. Net assets of governmental activities decreased $219.5 million or 2.4 percent due to a decline in economic conditions. Net assets of business-type activities increased slightly by $7.5 million, or 0.5 percent.

Fund Level

- Combined tax revenues were 4.3 percent lower than the prior year due to economic stagnation and higher unemployment in the State. The State's economic slowdown was similar to that of the national economy.

- Due to decreased tax revenues, the Legislature reduced fiscal year 2002 budgets by $105.5 million across all state agencies. In addition, the Legislature used $105.3 million of the State's Budget Reserve Account (Rainy Day Fund) to make up for revenue shortfalls in the State's Uniform School Fund.

Long-term Debt

- The State's long-term bonded debt increased a net $632.6 million, or 26 percent. The increased debt was issued to fund highway and capital facility construction and student loan programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report includes the State's Basic Financial Statements, Required Supplementary Information, and Supplementary Information. The Basic Financial Statements include three components: government-wide financial statements, fund financial statements, and notes to the financial statements.

Government-wide Statements – Reporting the State as a Whole

The Statement of Net Assets and the Statement of Activities beginning on page 25 together comprise the *government-wide financial statements*. These statements provide a broad overview with a long-term focus of the State's finances as a whole and are prepared using the *full-accrual* basis of accounting, similar to private-sector companies. This means all revenues and expenses are recognized regardless of when cash is received or spent, and all assets and liabilities, including capital assets and long-term debt, are reported at the entity level.

The government-wide statements report the State's *net assets* – the difference between total assets and total liabilities – and how they have changed from the prior year. Over time, increases and decreases in net assets measure whether the State's overall financial condition is getting better or worse. In evaluating the State's overall condition, however, additional non-financial factors should be considered such as the State's economic outlook, changes in its demographics, and the condition of its capital assets and infrastructure. The government-wide statements report three activities:

Governmental Activities – Most of the State's basic services fall under this activity including education, transportation, public safety, courts, corrections, health, and human services. Taxes and federal grants are the major funding sources for these programs.

Business-Type Activities – The State operates certain activities much like private-sector companies by charging fees to customers to cover all or most of the costs of providing the goods and services. Student loans, unemployment compensation, water project loan programs, and liquor sales are examples of business-type activities.

Component Units – Several entities are legally separate from the State, yet the State remains financially accountable for them. Colleges and Universities, Utah Housing Corporation, and Utah State Fair Corporation are examples of component units.

Fund Financial Statements – Reporting the State's Most Significant Funds
The fund financial statements beginning on page 30 provide detailed information about individual major funds, not the State as a whole. A fund is a group of related accounts that the State uses to keep track of specific resources that are segregated for a specific purpose. Some funds are required by law to exist, while others are established internally to maintain control over a particular activity. All of the State's funds are divided into three types, each of which uses a different accounting approach.

Governmental Funds – Most of the State's basic services are accounted for in governmental funds and are essentially the same functions reported as *governmental activities* in the government-wide statements. Governmental funds use the *modified accrual* basis of accounting, which measures the flow of current financial resources that can be converted to cash and the balances left at year-end that are available for future spending. This *short-term* view of the State's financial position helps determine whether the State has sufficient resources to cover expenditures for its basic services in the near future.

Proprietary Funds – Proprietary funds include enterprise funds and internal service funds and account for state activities that are operated much like private-sector businesses. Like the government-wide statements, proprietary fund statements are presented using the *full-accrual* basis of accounting. Activities whose customers are mostly outside of state government (e.g., water loan funds to local governments) are accounted for in *enterprise funds* and are the same functions reported as *business-type activities* in the government-wide statements. Activities whose customers are mostly other state agencies (e.g., motor pool) are accounted for in *internal service funds*. The internal service fund activities are consolidated with the governmental activities in the government-wide statements because those services predominantly benefit governmental rather than business-type activities.

Fiduciary Funds – Fiduciary funds account for assets that, because of trust relationships, can only be used for trust beneficiaries. The State is responsible for ensuring the assets in these funds are used for their intended purposes. Fiduciary funds use *full-accrual* accounting but are *not* included in the government-wide statements because the assets in these funds are not available to finance the State's own programs.

Reconciliation Between Government-wide and Fund Statements
The financial statements include schedules on pages 32 and 36 that reconcile the amounts reported for *governmental activities* on the government-wide statements (full-accrual accounting, long-term focus) with amounts reported on the *governmental* fund statements (modified accrual accounting, short-term focus). Following are some of the major differences between the two statements:

- Capital assets and long-term debt are included on the government-wide statements but are not reported on the governmental fund statements.
- Capital outlay spending results in capital assets on the government-wide statements but are expenditures on the governmental fund statements.
- Bond proceeds result in liabilities on the government-wide statements but are other financing sources on the governmental fund statements.
- Certain tax revenues that are earned but not yet available are reported as revenue on the government-wide statements but are deferred revenue on the governmental fund statements.

Notes to the Financial Statements
The notes beginning on page 52 provide additional schedules and information that are essential to a complete understanding of the financial statements. The notes apply to both the government-wide financial statements and the fund financial statements.

Required Supplementary Information
Following the Basic Financial Statements are budgetary comparison schedules for major funds with legally adopted budgets and condition assessment data related to the State's infrastructure. This information further explains and supports the information in the basic financial statements.

Supplementary Information
Supplementary Information includes combining statements for the State's nonmajor governmental, proprietary, and fiduciary funds and nonmajor discretely presented component units. This section also includes schedules which compare budgeted expenditures to actual results at the legal level of control, which is generally the line item level of the *Appropriation Acts*.

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

As mentioned previously, new accounting standards significantly changed the content and structure of the financial statements, and much of the information is not easily comparable to prior years. Future financial statements will include extensive comparisons.

Net Assets. The largest component of the State's net assets, 75 percent, reflects investments in capital assets (land, buildings, equipment, roads, and other infrastructure) less all outstanding debt that was issued to buy or build those assets. As capital assets, these resources are not available for future spending, nor can they be readily liquidated to pay off their related liabilities. Resources needed to repay capital-related debt must be provided from other sources.

Restricted net assets comprise 17 percent of total net assets and are subject to constitutional, legal, or external constraints on how they can be used. Net assets that are restricted by the *Constitution of Utah* include income and corporate taxes that can only be used for public and higher education costs and motor fuel taxes that can only be used for transportation expenses. Net assets that are restricted by legal or contractual requirements include unemployment taxes that can only be used for unemployment benefits and long-term student loan receivables that are pledged for future revenue bond payments.

State of Utah
Net Assets as of June 30, 2002
(expressed in thousands)

	Governmental Activities	Business-type Activities	Total Primary Government
Current and Other Assets	$ 2,802,112	$ 2,870,922	$ 5,673,034
Capital Assets	9,021,164	42,073	9,063,237
Total Assets	**11,823,276**	**2,912,995**	**14,736,271**
Current and Other Liabilities	621,340	55,952	677,292
Long-term Liabilities	2,335,428	1,291,513	3,626,941
Total Liabilities	**2,956,768**	**1,347,465**	**4,304,233**
Net Assets:			
Invested in Capital Assets, Net of Related Debt	7,806,829	21,336	7,828,165
Restricted	834,851	916,526	1,751,377
Unrestricted	224,828	627,668	852,496
Total Net Assets	**$ 8,866,508**	**$ 1,565,530**	**$ 10,432,038**
Percent change from prior year	-2.4%	0.5%	-2.0%

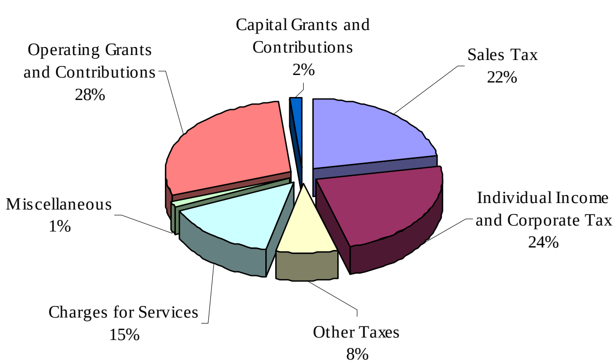
The remaining balance of unrestricted net assets may be used to meet the State's ongoing obligations, though certain laws and internally imposed designations of resources may further limit the purposes for which those net assets may be used. For example, the balance of the State's Budgetary Reserve Account is reported as unrestricted net assets, but state law limits the use of those funds for operating deficits or retroactive tax refunds.

Changes in Net Assets. The State's total net assets decreased by $212.1 million or 2.0 percent from the prior year. This decrease in net assets is a result of a slowing economy that had the combined effects of lower corporate profits, slower growth in personal income, higher unemployment, and higher demand for government services compared to fiscal year 2001.

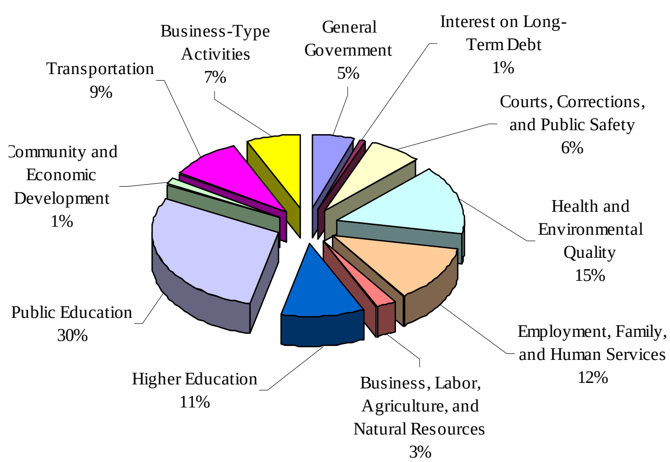
This year the State received 54 percent of its revenues from state taxes and 30 percent of its revenues from grants and contributions, mostly from federal sources. Charges for goods and services such as licenses, permits, liquor sales, state parks, and court fees, combined with other miscellaneous collections, comprised 16 percent of total revenues.

The charts below and on the next page summarize the State's total revenues, expenses, and changes in net assets for fiscal year 2002.

State of Utah
Total Revenues - FY 2002



State of Utah
Total Expenses - FY 2002



State of Utah
Changes in Net Assets
for the Fiscal Year Ended June 30, 2002
(expressed in thousands)

	Governmental Activities	Business-type Activities	Total Primary Government
Revenues			
General Revenues:			
Taxes	$ 3,598,731	$ 16,343	$ 3,615,074
Other General Revenues	72,236	5,995	78,231
Program Revenues:			
Charges for Services	656,308	329,282	985,590
Operating Grants	1,798,817	163,584	1,962,401
Capital Grants	109,751	-	109,751
Total Revenues	**6,235,843**	**515,204**	**6,751,047**
Expenses			
General Government	364,174	-	364,174
Human Services and Youth Corrections	537,753	-	537,753
Corrections, Adult	191,690	-	191,690
Public Safety	153,833	-	153,833
Courts	104,623	-	104,623
Health and Environmental Quality	1,061,229	-	1,061,229
Higher Education	731,504	-	731,504
Employment and Family Services	323,593	-	323,593
Natural Resources	113,795	-	113,795
Community and Economic Development	91,004	-	91,004
Business, Labor, and Agriculture	66,016	-	66,016
Public Education	1,998,834	-	1,998,834
Transportation	644,954	-	644,954
Interest on Long-term Debt	68,964	-	68,964
Student Assistance Programs	-	79,666	79,666
Unemployment Compensation	-	272,924	272,924
Water Loan Programs	-	6,181	6,181
Other Business-type Activities	-	122,594	122,594
Total Expenses	**6,451,966**	**481,365**	**6,933,331**
Excess (Deficiency) Before Special Item and Transfers	(216,123)	33,839	(182,284)
Special Item - distribution to local governments	(29,772)	-	(29,772)
Transfers	26,358	(26,358)	-
Change in Net Assets	**(219,537)**	**7,481**	**(212,056)**
Net Assets - Beginning (as restated)	9,086,045	1,558,049	10,644,094
Net Assets - Ending	**$ 8,866,508**	**$ 1,565,530**	**$ 10,432,038**

Governmental Activities

The State's total governmental revenues from all sources decreased $199 million or 3.1 percent as Utah's economy felt the impact of the national economic downturn. This decline in revenues contributed to a $219.5 million or 2.4 percent decrease in net assets of governmental activities. The State was able to handle the drop in revenues by making mid-year spending reductions and using portions of accumulated net asset balances.

The table on the next page shows to what extent the State's governmental activities relied on taxes and other general revenues to cover all of their costs. For fiscal year 2002, these programs generated $2.56 billion, or 39.8 percent of their total expenses, through charges for services and grants. The remaining 60.2 percent of expenses were covered by state taxes and other general revenues.

State of Utah
Net Cost of Governmental Activities
(expressed in thousands)

	Total Program Expenses	Less Program Revenues	Net Program Costs	Program Revenues as a Percentage of Total Expenses
General Government	$ 364,174	$ (292,626)	$ 71,548	80.4%
Human Services and Youth Corrections	537,753	(258,191)	279,562	48.0%
Corrections, Adult	191,690	(9,255)	182,435	4.8%
Public Safety	153,833	(89,641)	64,192	58.3%
Courts	104,623	(36,001)	68,622	34.4%
Health and Environmental Quality	1,061,229	(806,279)	254,950	76.0%
Higher Education	731,504	(1,699)	729,805	0.2%
Employment and Family Services	323,593	(271,100)	52,493	83.8%
Natural Resources	113,795	(72,857)	40,938	64.0%
Community and Economic Development	91,004	(45,312)	45,692	49.8%
Business, Labor, and Agriculture	66,016	(53,520)	12,496	81.1%
Public Education	1,998,834	(248,184)	1,750,650	12.4%
Transportation	644,954	(380,211)	264,743	59.0%
Interest on Long-Term Debt	68,964	-	68,964	0.0%
Total Governmental Activities	**$ 6,451,966**	**$ (2,564,876)**	**$ 3,887,090**	**39.8%**

Business-type Activities

Despite the slow economy, revenues from the State's business-type activities continued to grow at healthy rates, increasing $93.9 million or 22.3 percent over the prior year. Most of this increase was from a $62.6 million distribution from the federal government to the Unemployment Compensation Fund. However, net assets for the combined business-type activities increased only $7.5 million or 0.5 percent as higher expenses in the Unemployment Compensation program offset gains in net assets in the other activities.

All of the State's business-type activities operate from program revenues except for the Water Loan Programs and the Agriculture Loan Fund which by law receive dedicated sales taxes to provide additional capital for loans. Accounting standards require unemployment taxes that are collected from employers and deposited in the Unemployment Compensation Fund be reported as charges for services rather than taxes. Therefore, taxes in the business-type activities are comprised entirely of sales taxes in the water and agriculture loan programs.

All of the State's business-type activities generated sufficient revenues to cover their expenses this year with one exception. The Unemployment Compensation program was forced to use accumulated reserves to cover a 97.5 percent increase in benefits paid to unemployed individuals. This increase was a result of rising unemployment spurred by the national economic slowdown.

FINANCIAL ANALYSIS OF THE STATE'S GOVERNMENTAL FUNDS

Fund Balances

At June 30, 2002, the State's governmental funds reported combined ending fund balances of $1.79 billion. Of this amount, $1.16 billion or 65 percent is reserved for specific programs by state law, by external constraints, or by contractual obligations. Unspent bond proceeds, balances of restricted accounts, and agencies' nonlapsing balances are included in reserved fund balance. An additional $385.8 million or 21.6 percent of total fund balances has been designated through internally imposed limitations on uses of certain funds. Note 11 on page 81 contains more details about reserved and designated fund balances at June 30, 2002.

The remaining $240.2 million or 13.4 percent of fund balance is available for appropriation for the general purposes of the funds. The State's two main operating funds, the General Fund and the Uniform School Fund, did not end the year with any unreserved undesignated fund balance, commonly referred to as "surplus." Although inflows in the General Fund exceeded outflows by $2.2 million, $1.1 million of the excess was transferred to the Budget Reserve Account as required by law. The remaining $1.1 million is designated by law for the Industrial Assistance Fund. Also, the Uniform School Fund required a transfer of $105.3 million from the Budget Reserve Account in the General Fund to avoid ending the year with a deficit unreserved undesignated fund balance.

State of Utah
Governmental Fund Balances as of June 30, 2002
(expressed in thousands)

	General Fund	Uniform School Fund	Transportation Fund	Centennial Highway Fund	Trust Lands Fund	Nonmajor Funds	Total
Reserved	$ 221,474	$ 43,891	$ 45,557	$ 158,808	$ 360,376	$ 331,934	$ 1,162,040
Unreserved Designated	146,551	138,328	39,165	-	-	61,789	385,833
Unreserved Undesignated	-	-	46,198	146,549	-	47,468	240,215
Total	**$ 368,025**	**$ 182,219**	**$ 130,920**	**$ 305,357**	**$ 360,376**	**$ 441,191**	**$ 1,788,088**
Percent change from prior year	-35.2%	-24.9%	3.8%	377.6%	-0.1%	89.3%	12.1%

General Fund
During fiscal year 2002, the General Fund's fund balance decreased $199.8 million or 35.2 percent due to lower tax collections, increased expenditures, and a net increase in transfers out of the fund.

Total General Fund revenues increased $133.3 million or 4.2 percent; however, total tax collections dropped $6.8 million or 0.4 percent from the prior year due to the State's slow economy. While sales tax inched up $6.0 million or 0.4 percent and insurance premium tax gained $10.6 million or 23.1 percent, inheritance tax and oil and gas severance tax together fell $42.3 million or 56.0 percent from the prior year. Also, historically low interest rates and lower cash balances kept investment income $22.2 million or 59.1 percent below last year's level. Federal funding was the largest single factor offsetting the shortage in tax collections and investment income as federal grants climbed $143.5 million or 12.0 percent from the prior year.

Total General Fund expenditures increased by $328.0 million or 10.6 percent as the sluggish economy significantly increased the public's demand for government services. Following are examples:

- General assistance and food stamp cases increased 10 and 15 percent, respectively.
- Medicaid costs increased 12 percent while the federal matching rate continued to decline, this year by 1.1 percent.
- Public safety costs increased 23 percent as a result of activities related to the Winter Olympic Games.

State agencies relied heavily on federal funding to cover these increased demands. State agencies also saw increases in costs for items such as fighting wildfires, combating insect infestation on farmlands, and building fish hatcheries and wildlife management facilities. These increased costs in the face of budget reductions brought agencies' reserved nonlapsing balances down by $21.9 million or 25 percent compared to the end of the prior year.

Uniform School Fund
The Uniform School Fund's fund balance decreased $60.5 million or 24.9 percent as a direct result of the state and national economic downturn. Individual and corporate income taxes fell $182.5 million or 9.7 percent from the prior year. Transfers of $105.3 million from the Budget Reserve Account and $19.0 million from the Sports Authority Fund (nonmajor fund) helped avoid severe cuts to programs in public and higher education. Expenditures for public education increased a modest $60.6 million or 3.1 percent, mostly due to a 5.5 percent increase in the Weighted Pupil Unit (WPU) that was left intact amidst all other budget reductions during the year. The WPU is the State's basic formula for determining funding for local school districts.

Budgetary Highlights – General Fund and Uniform School Fund
The State considers both the General Fund and Uniform School Fund together in managing the budget. Therefore, both funds must be discussed together to provide an accurate picture of the budget. The State's economic downturn resulted in a $394.7 million or 10.4 percent reduction in estimated revenue for the General Fund and Uniform School Fund compared to original revenue estimates made before the fiscal year began. The largest declines were in individual and corporate income tax collections, inheritance taxes, and oil and gas severance taxes. As a result, the Governor and Legislature balanced the 2002 budget through a combination of measures:

- $105.5 million budget reductions across all state agencies.
- $87.2 million in transfers from restricted accounts, surpluses, beginning balances, and miscellaneous sources.
- $88.7 million in general obligation bonds to replace cash taken from appropriated capital projects.
- $113.3 million in estimated transfers from the Budget Reserve Account.

Actual revenue collections ended up $12.4 million or 0.4 percent above the final budget estimates, and the actual transfer from the Budget Reserve Account to the Uniform School Fund was $105.3 million. The Budget Reserve Account ended the fiscal year with a balance of $19.5 million.

Transportation Fund

Federal funding in the Transportation Fund increased $79.4 million but decreased $73.5 million in the Centennial Highway Fund as UDOT shifted most of its federal dollars out of new construction and into critical preservation and maintenance needs on the State Transportation Improvement Plan (STIP). Most STIP projects do not add lane miles or structures but are designed to preserve existing infrastructure. Projects include bridge repair and replacements, shoulder and pavement repairs, and safety improvements.

In fiscal year 2002 the Department of Transportation (UDOT) entered into an agreement with Salt Lake County whereby the State began collecting a portion of the county's voter-approved public transit sales tax to accelerate work on certain transportation projects within the county. Accordingly, the Transportation Fund's sales tax collections increased $12.3 million or 65.4 percent over the prior year. At June 30, 2002, UDOT held $10.8 million of public transit sales taxes in reserve for a proposed I-15 interchange at 114th South, pending completion of an environmental impact statement that was required by a lawsuit brought against the project.

Total expenditures in the Transportation Fund increased by $128.7 million or 25.1 percent. In addition to more STIP projects, UDOT incurred increased costs this year for several park-and-ride lots and other transportation services required for a successful Winter Olympic Games. Also, the Aeronautics Division of UDOT spent $3.8 million or 10.8 percent more for local government airport construction and maintenance. Finally, UDOT saw a $5.7 million or 7.8 percent increase in highway maintenance costs mainly due to added lane miles on I-15 in Salt Lake and Davis Counties.

Centennial Highway Fund

During the year, the State issued $277.8 million of general obligation bonds for highway construction. At June 30, 2002, the Centennial Highway Fund held $158.8 million of unspent bond proceeds, which amount is reported as reserved fund balance. In fiscal year 2002, the Legislature transferred $21.2 million of savings from the I-15 reconstruction project to the General Fund, with an additional $10.8 million in savings to go to the General Fund in fiscal year 2003.

Centennial Highway Fund expenditures dropped $159.3 million or 43.7 percent mostly because the I-15 project was completed last year and a lawsuit in November 2001 halted construction of the Legacy Highway in Davis County. Still, UDOT continued work on several other major projects including new overpasses on I-15 and U.S. 89 in Farmington, reconstruction of 31st Street in Ogden, and I-15 interchanges in Pleasant Grove and Washington County.

Trust Lands Fund

For the second year in a row the Trust Lands Fund had significant unrealized losses on its investments as a result of declines in the national securities markets. However, the permanent fund generated $9.7 million of cash investment earnings for the Uniform School Fund that is earmarked for distribution to local school districts.

Nonmajor Governmental Funds

The Utah Sports Authority received $58.5 million from the Salt Lake Olympic Organizing Committee as final payment for the sale of the winter sports park in 1999. The Utah Sports Authority disbursed $29.8 million of this amount to local governments as repayment of their portion of sales taxes that had been used to build the facilities during the 1990's. Of the remaining $28.7 million, the Legislature transferred $9.5 million to the Capital Projects Fund, $19.0 million to the Uniform School Fund to help cover decreased tax revenues, and $200 thousand to the General Fund to help cover costs of the State Olympic Coordinator's Office.

FINANCIAL ANALYSIS OF THE STATE'S PROPRIETARY FUNDS

Student Assistance Programs

The Student Assistance programs finished the year with an increase of $20.8 million or 11.7 percent in net assets. Rising enrollments at the State's colleges and universities created more demand for student loans than in prior years.

Unemployment Compensation Fund

The State's rising jobless rate brought a 77 percent increase in the number of unemployment benefit claims over the prior year. Assets were sufficient to handle the increased demand for benefits, but net assets fell $65.2 million or 10.5 percent due to the increase in claims. Also, this year the State received a $62.6 million distribution under the federal *Reed Act* of unemployment taxes that the federal government considered "surplus" to the federal program.

Water Loan Programs

To help balance the budget in fiscal year 2002, the Legislature redirected to the General Fund $500,000 of sales tax that is normally earmarked for water loans. The Legislature redirected an additional $9.7 million for fiscal year 2003. These programs have sufficient revenues and net assets to cover current commitments.

CAPITAL ASSET AND LONG-TERM DEBT ADMINISTRATION

Capital Assets

The State's investment in capital assets increased a net $236 million during the year. The change consisted of net increases in infrastructure of $162 million; land and related assets of $47.9 million; and buildings, improvements and construction in progress of $31.1million. Machinery and equipment decreased a net $5 million during the year. A significant portion of the buildings financed by the State are actually owned by the colleges and universities which are component units of the State. Therefore, while the capital assets are on the component unit's financial statements, any outstanding debt issued to finance construction of these assets is reported as a liability of the State's governmental activities. This in turn reduces unrestricted net assets. As of June 30, 2002, the State had $239.1 million of outstanding debt related to capital assets of component units.

The State has adopted an allowable alternative to reporting depreciation for roads and bridges (infrastructure assets) maintained by the Utah Department of Transportation (UDOT). Under this alternative method, referred to as the "modified approach," UDOT must maintain an asset management system and demonstrate that the infrastructure is being preserved at or above established condition levels. Infrastructure assets accounted for under the modified approach are not depreciated, and maintenance and preservation costs are expensed.

The State's established condition level for roads is to maintain 50 percent with a rating of "fair" or better and no more than 15 percent with a "very poor" rating. The most recent condition assessment, completed for calendar year 2001, indicated that 70.4 percent of the roads were in "fair" or better condition. Only 8.3 percent of the roads assessed were in "very poor" condition. These results reflect improvement over calendar year 2000, when 66.5 percent of the roads were assessed as "fair" or better, and 10.7 percent assessed were in "very poor" condition.

The State's established condition level for bridges is to maintain 50 percent with a rating of "good" and no more than 15 percent of bridges with a "poor" rating. The most recent condition assessment, completed in April 2002, indicated that 70.4 percent and 2.8 percent of bridges were in "good" and "poor" condition, respectively. These results reflect improvement over the prior year, when 67.0 percent of the bridges were assessed as "good," and 5.0 percent assessed were in "poor" condition.

During fiscal year 2002, the State spent $330.9 million to maintain and preserve roads and bridges. This amount is 16.1 percent above the estimated amount of $285 million needed to maintain these assets at established condition levels. During the last few fiscal years the State was aggressive in the maintenance and preservation of many of the State's roads in preparation for the Winter Olympic Games. The State anticipates that expenditures in future years will be more comparable to the estimated amounts needed to preserve the State's infrastructure assets.

More information about capital assets is included in Note 8 on page 69, and more detailed information on the State's modified approach for reporting infrastructure is presented in the Required Supplementary Information on page 102.

Long-term Debt

The *Constitution of Utah* authorizes general obligation borrowing only as approved by the Legislature. The *Constitution* also limits outstanding state general obligation debt to 1.5 percent of the value of all taxable property in the State, while state law further restricts outstanding state general obligation debt to no more than 20 percent of the appropriations limit. As of June 30, 2002, the State was $361.4 million below the statutory debt limit and $974 million below the debt limit established in the *Constitution*.

Of the total bonds issued during the fiscal year, $277.8 million was for highway construction, $208 million was to refund variable-rate highway notes for fixed-rate general obligation bonds, and $269.3 million was for capital facility construction. The remaining bonds were issued to provide capital for purchasing student loans in the Student Assistance programs.

The State's active management of recent economic difficulties has helped the State maintain its triple-A rating on general obligation bonds and double-A rating on lease revenue bonds from all three national rating agencies, the best ratings possible. These ratings save millions of dollars in interest each year because the State is able to get the lowest possible interest rates on new debt. Note 10 on page 73 contains more information about the State's outstanding debt.

State of Utah
Bond Activity for Fiscal Year 2002
(expressed in millions)

	Governmental Activities		Business-type Activities	
	General Obligation	Lease Revenue	Revenue / Lease Revenue	Total
Bonds issued	$ 629.2	$ 114.4	$ 213.9	$ 957.5
Bonds refunded	(208.0)	-	-	(208.0)
Bonds retired	(92.8)	(11.5)	(12.6)	(116.9)
Net change	$ 328.4	$ 102.9	$ 201.3	$ 632.6
New bonds authorized by the Legislature	$ 430.3	$ -	$ 1.8	$ 432.1
Bonds authorized but unissued at June 30	$ 141.3	$ 2.5	$ 1.8	$ 145.6

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

Original revenue estimates for fiscal year 2003 were approximately 3.3 percent below the original revenue estimates for fiscal year 2002. To balance the original 2003 budget, the Legislature implemented $174.6 million in budget reductions from original fiscal year 2002 budget levels. This was enough to cover the revenue shortfall plus fund critical budget items such as Medicaid increases, a 0.75 percent increase in the WPU for public education, higher education enrollment growth, and health insurance increases for state employees.

The Legislature also raised the cigarette tax by 18 cents per pack, from 51.5 cents to 69.5 cents. The tax increase is expected to yield $13.8 million per year, with 58 percent of the increase earmarked for tobacco prevention and cessation programs, cancer research, and medical education. The remaining 42 percent of the increase will go to the General Fund. No other taxes were increased.

Due to additional declines in revenue estimates for fiscal year 2003, the Legislature met in special session in June and early July 2002 to reduce the 2003 budget by another $173.1 million, a decline of 7.8 percent from the original fiscal year 2002 revenue estimates. Budget adjustments included the following:

- $71.5 million in reductions to agencies' budgets.
- $66.4 million reduction in ongoing General Fund support for the Centennial Highway Fund.
- $16.4 million reduction in cash available for capital facilities, to be replaced with general obligation bonds.
- $17.8 million transfer from the Tobacco Endowment Fund (nonmajor fund) to the General Fund.
- $1 million in transfers from various restricted accounts to the General Fund.

Reductions in funding for fiscal year 2003 will result in program and service reductions in most state agencies, higher education, and public education. State agencies estimate a reduction of 482 full-time equivalent positions as a result of the budget cuts, or 2.4 percent of the State's workforce. Most of these reductions in force will be handled through attrition, though some layoffs have already occurred.

The outlook for Utah's economy in the near future continues to be uneven. While taxable retail sales are expected to climb 4.1 percent in 2002, the 2002 unemployment rate is expected to be 6.0 percent and the growth in personal income is expected to be 2.7 percent for the same period. Because these indicators are measured on a calendar-year basis, the impact on the State budget will be felt well into fiscal year 2003. Already, preliminary data for fiscal year 2003 show revenues are approximately $117 million lower than the 2003 budget estimates adopted during the recent special session. The Governor and Legislature are expected to convene another special session in December to address this further decline in revenues.

CONTACTING THE STATE'S DIVISION OF FINANCE

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Division of Finance, Financial Reporting Section at (801) 538-3525.

The preceding discussion and analysis focuses on the State's primary government operations. With the exception of a few nonmajor component units, the State's component units each issue separate audited financial statements which include their respective management's discussion and analysis. Component unit statements may be obtained from their respective administrative offices or from the Utah State Auditor's Office, 211 State Capitol, Salt Lake City, UT 84114.

Statement of Net Assets

June 30, 2002 (Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and Cash Equivalents	$ 346,700	$ 741,725	$ 1,088,425	$ 754,351
Investments	1,271,966	282,823	1,554,789	442,317
Taxes Receivable, net	581,065	2,575	583,640	—
Accounts and Interest Receivable, net	519,413	80,935	600,348	267,909
Amounts Due From Component Units	29,016	—	29,016	—
Prepaid Items	5,406	583	5,989	12,925
Inventories	13,001	17,005	30,006	32,866
Internal Balances	3,184	(3,184)	—	—
Restricted Investments	—	55,304	55,304	412,804
Restricted Receivables	—	—	—	17,096
Deferred Charges	2,711	7,793	10,504	52,130
Notes/Loans/Mortgages Receivable, net	22,246	1,685,363	1,707,609	1,043,971
Other Assets	7,404	—	7,404	—
Capital Assets:				
Land and Related Non-depreciable Assets	607,265	12,195	619,460	81,534
Infrastructure	7,346,256	—	7,346,256	—
Construction in Progress	259,911	1,153	261,064	167,044
Buildings, Equipment, and Other Depreciable Assets	1,361,263	41,567	1,402,830	3,044,211
Less Accumulated Depreciation	(553,531)	(12,842)	(566,373)	(1,273,021)
Total Capital Assets	9,021,164	42,073	9,063,237	2,019,768
Total Assets	11,823,276	2,912,995	14,736,271	5,056,137
LIABILITIES				
Accounts Payable and Accrued Liabilities	534,568	40,608	575,176	179,779
Amounts Due to Primary Government	—	—	—	29,016
Securities Lending	10,167	—	10,167	—
Deferred Revenue	76,438	7,599	84,037	59,131
Deposits	167	56	223	19,793
Other Liabilities	—	7,689	7,689	62,973
Long-term Liabilities (Note 10)				
Due Within One Year	228,906	38,217	267,123	159,394
Due in More Than One Year	2,106,522	1,253,296	3,359,818	1,588,490
Total Liabilities	2,956,768	1,347,465	4,304,233	2,098,576
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	7,806,829	21,336	7,828,165	1,558,298
Restricted for:				
Transportation	132,091	—	132,091	—
Public Education – Expendable	192,322	—	192,322	—
Public Education – Nonexpendable	360,376	—	360,376	—
Higher Education – Expendable	—	—	—	441,252
Higher Education – Nonexpendable	—	—	—	309,578
Debt Service	7,269	38,478	45,747	141,838
Unemployment Compensation and Insurance Programs	61,365	553,741	615,106	—
Loan Programs	2,478	324,307	326,785	—
Other Purposes – Expendable	78,950	—	78,950	37
Unrestricted	224,828	627,668	852,496	506,558
Total Net Assets	$ 8,866,508	$ 1,565,530	$ 10,432,038	$ 2,957,561

The Notes to the Financial Statements are an integral part of this statement.

State of Utah

Statement of Activities

For the Fiscal Year Ended June 30, 2002 (Expressed in Thousands)

Activities	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets — Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units
Primary Government:								
Governmental:								
General Government	$ 364,174	$ 225,765	$ 66,861	$ —	$ (71,548)	$ —	$ (71,548)	$ —
Human Services and Youth Corrections	537,753	13,304	244,887	—	(279,562)	—	(279,562)	—
Corrections, Adult	191,690	7,452	1,803	—	(182,435)	—	(182,435)	—
Public Safety	153,833	28,348	61,293	—	(64,192)	—	(64,192)	—
Courts	104,623	34,977	1,024	—	(68,622)	—	(68,622)	—
Health and Environmental Quality	1,061,229	87,120	719,159	—	(254,950)	—	(254,950)	—
Higher Education	731,504	714	985	—	(729,805)	—	(729,805)	—
Employment and Family Services	323,593	7,366	263,734	—	(52,493)	—	(52,493)	—
Natural Resources	113,795	40,660	32,197	—	(40,938)	—	(40,938)	—
Community and Economic Development	91,004	4,579	40,733	—	(45,692)	—	(45,692)	—
Business, Labor, and Agriculture	66,016	46,230	7,290	—	(12,496)	—	(12,496)	—
Public Education	1,998,834	35,859	212,325	—	(1,750,650)	—	(1,750,650)	—
Transportation	644,954	123,934	146,526	109,751	(264,743)	—	(264,743)	—
Interest and Other Charges on Long-term Debt	68,964	—	—	—	(68,964)	—	(68,964)	—
Total Governmental Activities	6,451,966	656,308	1,798,817	109,751	(3,887,090)	0	(3,887,090)	0
Business-type:								
Student Assistance Programs	79,666	75,836	23,655	—	—	19,825	19,825	—
Unemployment Compensation	272,924	84,611	123,081	—	—	(65,232)	(65,232)	—
Water Loan Programs	6,181	9,132	15,441	—	—	18,392	18,392	—
Other Business-type Activities	122,594	159,703	1,407	—	—	38,516	38,516	—
Total Business-type Activities	481,365	329,282	163,584	0	0	11,501	11,501	0
Total Primary Government	$ 6,933,331	$ 985,590	$ 1,962,401	$ 109,751	(3,887,090)	11,501	(3,875,589)	0
Component Units:								
Utah Housing Corporation	$ 79,330	$ 88,020	$ 1,996	$ —	—	—	—	10,686
University of Utah	1,631,743	1,094,089	276,197	42,176	—	—	—	(219,281)
Utah State University	376,943	102,763	146,984	41,706	—	—	—	(85,490)
Nonmajor Colleges and Universities	614,295	209,962	118,396	20,518	—	—	—	(265,419)
Nonmajor Component Units	18,671	12,493	165	113	—	—	—	(5,900)
Total Component Units	$ 2,720,982	$ 1,507,327	$ 543,738	$ 104,513	0	0	0	(565,404)
General Revenues:								
Taxes:								
Sales and Use Tax					1,470,175	16,343	1,486,518	—
Individual Income Tax Imposed for Education					1,473,341	—	1,473,341	—
Corporate Tax Imposed for Education					124,333	—	124,333	—
Motor and Special Fuel Taxes Imposed for Transportation					329,296	—	329,296	—
Other Taxes					201,586	—	201,586	—
Total Taxes					3,598,731	16,343	3,615,074	0
Unrestricted Investment Income					11,914	3,648	15,562	345
State Funding for Colleges and Universities					—	—	—	633,956
State Funding for Other Component Units					—	—	—	3,563
Gain on Sale of Capital Assets					19,642	—	19,642	—
Miscellaneous					40,680	2,347	43,027	—
Permanent Endowments Contributions					—	—	—	21,754
Special Item—Distribution to Local Governments					(29,772)	—	(29,772)	—
Special Item—Technology Finance Corporation Liquidation Transfers					—	—	—	(9,944)
Transfers—Internal Activities					26,358	(26,358)	—	—
Total General Revenues, Special Items, and Transfers					3,667,553	(4,020)	3,663,533	649,674
Change in Net Assets					(219,537)	7,481	(212,056)	84,270
Net Assets—Beginning (as restated)					9,086,045	1,558,049	10,644,094	2,873,291
Net Assets—Ending					$ 8,866,508	$ 1,565,530	$ 10,432,038	$ 2,957,561

The Notes to the Financial Statements are an integral part of this statement.

State of Utah

Balance Sheet
Governmental Funds

June 30, 2002 (Expressed in Thousands)

		Special Revenue			Permanent		
	General	Uniform School	Transportation	Centennial Highway	Trust Lands	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and Cash Equivalents	$ 75,828	$ —	$ 93,178	$ —	$ 524	$ 115,438	$ 284,968
Investments	61,620	—	17,370	330,927	349,733	375,204	1,134,854
Receivables:							
Accounts, net	351,953	25,854	78,295	1,490	11,919	27,930	497,441
Accrued Interest	16	—	—	—	638	16	670
Accrued Taxes, net	257,299	265,081	57,959	726	—	—	581,065
Notes/Mortgages, net	6,267	6,128	421	—	8,891	539	22,246
Due From Other Funds	21,153	2,187	26,753	1,473	2,712	2,607	56,885
Due From Component Units	10,462	—	—	—	—	18,554	29,016
Inventories	497	—	8,397	—	—	—	8,894
Interfund Loans Receivable	44,638	—	—	—	—	—	44,638
Other Assets	—	—	—	—	7,404	—	7,404
Total Assets	$ 829,733	$ 299,250	$ 282,373	$ 334,616	$ 381,821	$ 540,288	$ 2,668,081
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable and Accrued Liabilities	$ 282,182	$ 78,382	$ 107,193	$ 273	$ —	$ 42,588	$ 510,618
Due To Other Funds	13,502	3,334	9,260	26,416	7	12,957	65,476
Deferred Revenue	166,024	35,315	35,000	92	21,438	43,552	301,421
Interfund Loans Payable	—	—	—	2,478	—	—	2,478
Total Liabilities	461,708	117,031	151,453	29,259	21,445	99,097	879,993
Fund Balances:							
Reserved for:							
Nonlapsing Appropriations and Encumbrances	65,614	26,245	2,238	—	—	164,300	258,397
Specific Purposes by Statute	111,222	17,646	43,319	158,808	360,376	64,997	756,368
Interfund Loans Receivable	44,638	—	—	—	—	—	44,638
Capital Projects	—	—	—	—	—	87,928	87,928
Debt Service	—	—	—	—	—	14,709	14,709
Unreserved Designated	146,551	138,328	39,165	—	—	—	324,044
Unreserved Designated, reported in nonmajor:							
Special Revenue Funds	—	—	—	—	—	657	657
Capital Projects Funds	—	—	—	—	—	52,959	52,959
Debt Service Funds	—	—	—	—	—	8,173	8,173
Unreserved Undesignated	—	—	46,198	146,549	—	—	192,747
Unreserved Undesignated, reported in nonmajor:							
Special Revenue Funds	—	—	—	—	—	47,468	47,468
Total Fund Balances	368,025	182,219	130,920	305,357	360,376	441,191	1,788,088
Total Liabilities and Fund Balances	$ 829,733	$ 299,250	$ 282,373	$ 334,616	$ 381,821	$ 540,288	$ 2,668,081

The Notes to the Financial Statements are an integral part of this statement.

Reconciliation of the Balance Sheet—Governmental Funds To the Statement of Net Assets

For the Fiscal Year Ended June 30, 2002 (Expressed in Thousands)

Total Fund Balances for Governmental Funds		$ 1,788,088
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. (Note 8)		
Land and Related Non-depreciable Assets	$ 607,248	
Infrastructure	7,346,256	
Construction-In-Progress	258,305	
Buildings, Equipment, and Other Depreciable Assets	1,162,549	
Accumulated depreciation	(444,822)	8,929,536
Some of the State's earned revenues will be collected after yearend, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		228,272
Internal service funds are used by management to charge the costs of certain activities, such as insurance, information technology, and fleet operations to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		127,325
Bond issue costs are reported as current expenditures in the funds. However, issue costs are deferred and amortized over the life of the bonds and are included in the governmental activities in the Statement of Net Assets.		2,620
Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds. (Note 10)		
General Obligation and Revenue Bonds Payable	(1,815,728)	
Unamortized Premiums	(27,642)	
Accrued Interest Payable	(1,664)	
Postemployment Benefits	(213,633)	
Compensated Absences	(135,541)	
Capital Leases	(15,026)	
Arbitrage Liability	(99)	(2,209,333)
Net Assets of Governmental Activities		$ 8,866,508

The Notes to the Financial Statements are an integral part of this statement.

State of Utah

Statement Of Revenues, Expenditures, And Changes In Fund Balances
Governmental Funds

For the Fiscal Year Ended June 30, 2002 (Expressed in Thousands)

		Special Revenue			Permanent		
	General	Uniform School	Transportation	Centennial Highway	Trust Lands	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Taxes:							
Sales and Use Tax	$ 1,437,339	$ —	$ 31,235	$ 4,905	$ —	$ —	$ 1,473,479
Individual Income Tax	—	1,584,546	—	—	—	—	1,584,546
Corporate Tax	—	124,561	—	—	—	—	124,561
Motor and Special Fuels Tax	—	—	321,682	—	—	—	321,682
Other Taxes	172,307	15,606	10,525	—	—	3,145	201,583
Total Taxes	1,609,646	1,724,713	363,442	4,905	0	3,145	3,705,851
Other Revenues:							
Federal Contracts and Grants	1,341,072	252,991	205,982	46,865	—	9,567	1,856,477
Charges for Services/Royalties	192,190	1,410	22,028	—	24,975	7,041	247,644
Licenses, Permits, and Fees	17,721	4,188	58,603	18,120	—	8,569	107,201
Federal Mineral Lease	29,367	—	—	—	—	1,160	30,527
Federal Aeronautics	—	—	31,026	—	—	—	31,026
Intergovernmental	—	—	—	—	—	7,611	7,611
Investment Income	15,333	9,708	2,657	2,931	(41,587)	611	(10,347)
Miscellaneous and Other	114,449	7,831	13,650	—	—	40,965	176,895
Total Revenues	3,319,778	2,000,841	697,388	72,821	(16,612)	78,669	6,152,885
EXPENDITURES							
Current:							
General Government	160,728	—	—	—	—	19,041	179,769
Human Services and Youth Corrections	529,403	—	—	—	—	1,887	531,290
Corrections, Adult	182,860	—	—	—	—	2,611	185,471
Public Safety	147,728	—	—	—	—	2,987	150,715
Courts	100,510	—	—	—	—	6,745	107,255
Health and Environmental Quality	1,055,856	—	—	—	—	2,435	1,058,291
Higher Education – State Administration	42,155	—	—	—	—	—	42,155
Higher Education – Colleges and Universities	610,837	—	—	—	—	—	610,837
Employment and Family Services	321,154	—	—	—	—	—	321,154
Natural Resources	119,383	—	—	—	—	1,689	121,072
Community and Economic Development	86,160	—	—	—	—	4,854	91,014
Business, Labor, and Agriculture	55,639	—	—	—	—	8,301	63,940
Public Education	—	1,998,240	—	—	—	210	1,998,450
Transportation	—	—	642,159	205,358	—	1,100	848,617
Capital Outlay	—	—	—	—	—	112,569	112,569
Debt Service:							
Principal Retirement	—	—	—	—	—	104,298	104,298
Interest and Other Charges	—	—	—	—	—	70,890	70,890
Total Expenditures	3,412,413	1,998,240	642,159	205,358	0	339,617	6,597,787
Excess Revenues Over (Under) Expenditures	(92,635)	2,601	55,229	(132,537)	(16,612)	(260,948)	(444,902)
OTHER FINANCING SOURCES (USES)							
General Obligation Bonds Issued	—	—	—	277,810	—	143,390	421,200
Revenue Bonds Issued	—	—	—	—	—	114,389	114,389
Premium (Discount) on Bonds Issued	—	—	—	11,241	—	17,912	29,153
Refunding Bonds Issued	—	—	—	—	—	208,000	208,000
Payment of Current Bond Refunding	—	—	—	—	—	(208,000)	(208,000)
Sale of Trust Lands	—	—	—	—	16,115	—	16,115
Transfers In	223,529	126,279	36,131	178,295	13	198,867	763,114
Transfers Out	(330,679)	(189,388)	(86,520)	(93,385)	—	(34,279)	(734,251)
Total Other Financing Sources (Uses)	(107,150)	(63,109)	(50,389)	373,961	16,128	440,279	609,720
SPECIAL ITEM							
Sale of Olympic Park Facilities	—	—	—	—	—	58,512	58,512
Distribution to Local Governments	—	—	—	—	—	(29,772)	(29,772)
Net Change in Fund Balances	(199,785)	(60,508)	4,840	241,424	(484)	208,071	193,558
Fund Balances – Beginning (as restated)	567,810	242,727	126,080	63,933	360,860	233,120	1,594,530
Fund Balances – Ending	$ 368,025	$ 182,219	$ 130,920	$ 305,357	$ 360,376	$ 441,191	$ 1,788,088

The Notes to the Financial Statements are an integral part of this statement.

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds to the Statement of Activities

For the Fiscal Year Ended June 30, 2002 (Expressed in Thousands)

Net Change in Fund Balance – Total Governmental Funds		$ 193,558
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The primary government also constructs buildings for component units. When the buildings are completed they are "transferred" to component units and are reported as expenses in the Statement of Activities. This is the amount by which capital outlays ($356,583) exceeded depreciation ($48,315) and buildings "transferred" to component units ($78,529) in the current period. (Note 8)		229,739
In the Statement of Activities, only the gain on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sales increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold.		(1,894)
Net effect of revenues reported on the accrual basis in the Statement of Activities that do not provide current financial resources and thus are not reported as revenues in the funds until available.		(166,774)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, information technology, and fleet operations, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.		11,444
Bond proceeds and capital leases provide current financial resources to governmental funds by issuing debt which increases long-term liabilities in the Statement of Net Assets. Repayments of bond and capital lease principal are expenditures in the governmental funds, but reduce liabilities in the Statement of Net Assets. (Note 10)		
Bond Issued	$ (743,589)	
Premiums on Bonds Issued	(29,153)	
Payment to Refund Bonds	208,000	
Payment of Bond Principal	104,298	
Capital Lease Payments	1,148	(459,296)
Expenditures are recognized in the governmental funds when paid or due for: items not normally paid with available financial resources; interest on long-term debt unless certain conditions are met; and bond issue costs. However, the Statement of Activities is presented on the accrual basis and expenses and liabilities are reported when incurred, regardless of when financial resources are available or expenditures are paid or due. This adjustment combines the net changes of the following balances:		
Postemployment Benefits Expenses	(24,012)	
Compensated Absences Expenses	(6,730)	
Arbitrage Interest Expense	755	
Accrued Interest on Bonds Payable	(457)	
Amortization of Bond Premiums	1,510	
Deferred Bond Issue Costs	2,620	(26,314)
Change in Net Assets of Governmental Activities		$ (219,537)

The Notes to the Financial Statements are an integral part of this statement.

Statement Of Net Assets
Proprietary Funds

June 30, 2002 (Expressed in Thousands)

	Business-type Activities – Enterprise Funds					Governmental Activities –
	Student Assistance Programs	Unemployment Compensation Fund	Water Loan Programs	Nonmajor Enterprise Funds	Total	Internal Service Funds
ASSETS						
Current Assets:						
Cash and Cash Equivalents	$ 76,782	$ 537,449	$ 62,195	$ 65,299	$ 741,725	$ 61,732
Investments	280,995	—	—	199	281,194	106,565
Receivables:						
Accounts, net	11,945	26,743	112	7,114	45,914	18,189
Accrued Interest	23,991	—	4,080	2,906	30,977	775
Accrued Taxes, net	—	—	2,575	—	2,575	—
Notes/Loans/Mortgages, net	96,548	—	21,378	13,668	131,594	—
Due From Other Funds	—	—	416	12,128	12,544	12,667
Prepaid Items	541	—	—	42	583	5,226
Inventories	—	—	—	17,005	17,005	4,107
Total Current Assets	490,802	564,192	90,756	118,361	1,264,111	209,261
Noncurrent Assets:						
Restricted Investments	54,479	—	825	—	55,304	—
Investments	—	—	—	1,629	1,629	30,547
Prepaid Items	—	—	—	—	—	180
Notes/Loans/Mortgages Receivables, net	936,520	—	403,442	213,807	1,553,769	—
Accrued Interest Receivable	—	—	3,698	346	4,044	—
Deferred Charges	7,793	—	—	—	7,793	91
Interfund Loans Receivable	—	—	—	80	80	2,478
Capital Assets:						
Land	—	—	—	12,195	12,195	17
Buildings and Improvements	8,001	—	—	22,582	30,583	8,287
Machinery and Equipment	1,345	—	—	9,639	10,984	190,427
Construction in Progress	—	—	—	1,153	1,153	1,606
Less Accumulated Depreciation	(730)	—	—	(12,112)	(12,842)	(108,709)
Total Capital Assets	8,616	0	0	33,457	42,073	91,628
Total Noncurrent Assets	1,007,408	0	407,965	249,319	1,664,692	124,924
Total Assets	1,498,210	564,192	498,721	367,680	2,928,803	334,185
LIABILITIES						
Current Liabilities:						
Accounts Payable and Accrued Liabilities	25,817	717	370	10,105	37,009	17,629
Securities Lending Liability	—	—	—	—	—	10,167
Deposits	—	56	—	—	56	167
Due To Other Funds	—	1,989	55	13,777	15,821	3,131
Interfund Loans Payable	—	—	—	—	—	25,211
Deferred Revenue	1,530	—	121	1,777	3,428	3,289
Policy Claims Liabilities	—	7,689	—	—	7,689	50,891
Revenue Bonds Payable	36,110	—	1,495	517	38,122	40
Capital Leases Payable	—	—	—	83	83	—
Total Current Liabilities	63,457	10,451	2,041	26,259	102,208	110,525
Noncurrent Liabilities:						
Accrued Liabilities	3,598	—	—	—	3,598	—
Deferred Revenue	4,171	—	—	—	4,171	—
Policy Claims Liabilities	—	—	—	—	—	75,818
Revenue Bonds Payable	1,191,263	—	2,640	22,562	1,216,465	1,010
Capital Leases Payable	—	—	—	13	13	—
Interfund Loans Payable	—	—	—	—	—	19,507
Arbitrage Liability	36,818	—	—	—	36,818	—
Total Noncurrent Liabilities	1,235,850	0	2,640	22,575	1,261,065	96,335
Total Liabilities	1,299,307	10,451	4,681	48,834	1,363,273	206,860
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	621	—	—	20,715	21,336	90,578
Restricted for:						
Unemployment Compensation and Insurance Programs	—	553,741	—	—	553,741	61,365
Loan Programs	122,603	—	170,229	31,475	324,307	2,478
Debt Service	—	—	38,478	—	38,478	—
Unrestricted (Deficit)	75,679	—	285,333	266,656	627,668	(27,096)
Total Net Assets	$ 198,903	$ 553,741	$ 494,040	$ 318,846	$ 1,565,530	$ 127,325

The Notes to the Financial Statements are an integral part of this statement

Statement Of Revenues, Expenses, And Changes In Fund Net Assets
Proprietary Funds

For the Fiscal Year Ended June 30, 2002 (Expressed in Thousands)

	Business-type Activities – Enterprise Funds					Governmental Activities –
	Student Assistance Programs	Unemployment Compensation Fund	Water Loan Programs	Nonmajor Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES						
Sales and Charges for Services/Premiums	$ 16,824	$ 84,611	$ 273	$ 151,911	$ 253,619	$ 486,522
Fees and Assessments	3,464	—	16	3,012	6,492	—
Interest on Notes/Mortgages (net of Student Assistance Programs origination fee credit of $3,249)	55,242	—	8,843	4,631	68,716	—
Federal Reinsurance and Allowances/Reimbursements	15,070	24,273	—	—	39,343	—
Miscellaneous	306	—	—	149	455	89
Total Operating Revenues	90,906	108,884	9,132	159,703	368,625	486,611
OPERATING EXPENSES						
Administration	31,261	—	—	23,671	54,932	41,940
Purchases, Materials, and Services for Resale	—	—	—	90,862	90,862	51,737
Grants	—	—	5,505	888	6,393	379
Rentals and Leases	—	—	—	1,462	1,462	5,146
Maintenance	—	—	—	1,066	1,066	15,826
Interest	29,367	—	—	—	29,367	—
Depreciation	406	—	—	1,872	2,278	20,125
Benefit Claims and Unemployment Compensation	—	272,924	—	—	272,924	309,872
Supplies and Other Miscellaneous	15,714	—	211	2,026	17,951	33,044
Total Operating Expenses	76,748	272,924	5,716	121,847	477,235	478,069
Operating Income (Loss)	14,158	(164,040)	3,416	37,856	(108,610)	8,542
NONOPERATING REVENUES (EXPENSES)						
Investment Income	9,608	36,255	1,985	1,593	49,441	5,492
Federal Grants	—	62,553	14,525	1,370	78,448	542
Gain (Loss) on Sale of Fixed Assets	—	—	—	(136)	(136)	(824)
Tax Revenues	—	—	15,843	500	16,343	—
Interest Expense	—	—	(465)	(611)	(1,076)	(54)
Refunds Paid to Federal Government	—	—	—	—	—	(1,568)
Other Revenue (Expenses)	(2,918)	—	1,633	714	(571)	240
Total Nonoperating Revenues (Expenses)	6,690	98,808	33,521	3,430	142,449	3,828
Income (Loss) before Transfers	20,848	(65,232)	36,937	41,286	33,839	12,370
Transfers In	—	—	1,603	9,407	11,010	3,631
Transfers Out	—	—	(2,426)	(34,942)	(37,368)	(4,557)
Change in Net Assets	20,848	(65,232)	36,114	15,751	7,481	11,444
Net Assets – Beginning (as restated)	178,055	618,973	457,926	303,095	1,558,049	115,881
Net Assets – Ending	$ 198,903	$ 553,741	$ 494,040	$ 318,846	$ 1,565,530	$ 127,325

The Notes to the Financial Statements are an integral part of this statement.

Statement Of Cash Flows
Proprietary Funds

For the Fiscal Year Ended June 30, 2002 (Expressed in Thousands)

	Business-type Activities – Enterprise Funds					Governmental Activities –
	Student Assistance Programs	Unemployment Compensation Fund	Water Loan Programs	Nonmajor Enterprise Funds	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from Customers/Loan Interest/Fees/Premiums	$ 55,791	$ 85,164	$ 8,899	$ 176,658	$ 326,512	$ 181,136
Receipts from Loan Maturities	178,234	—	22,784	13,208	214,226	—
Receipts Federal Reinsurance & Allowances/Reimburse	23,501	22,024	—	—	45,525	—
Receipts from State Customers	903	—	—	9,553	10,456	312,126
Student Loan Disbursements Received from Lenders	246,404	—	—	—	246,404	—
Student Loan Disbursements Sent to Schools	(246,420)	—	—	—	(246,420)	—
Payments to Suppliers/Claims/Grants	(25,669)	(269,823)	(4,726)	(96,569)	(396,787)	(367,121)
Disbursements for Loans Receivable	(239,274)	—	(66,037)	(37,566)	(342,877)	—
Payments on Loan Guarantees	(21,515)	—	—	—	(21,515)	—
Payments for Employee Services and Benefits	(4,415)	—	—	(19,629)	(24,044)	(41,139)
Payments to State Suppliers	(802)	—	(1,154)	(4,389)	(6,345)	(44,465)
Payments of Sales, School Lunch, and Premium Taxes	—	—	—	(24,974)	(24,974)	—
Net Cash Provided (Used) by Operating Activities	(33,262)	(162,635)	(40,234)	16,292	(219,839)	40,537
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Borrowings Under Interfund Loans	—	—	—	8,945	8,945	—
Repayments Under Interfund Loans	—	—	—	(8,420)	(8,420)	—
Receipts from Bonds, Notes, and Deposits	194,265	8	—	—	194,273	—
Payments of Bonds, Notes, Deposits, and Refunds	(10,909)	(7)	(4,540)	—	(15,456)	(1,568)
Interest Paid on Bonds, Notes, and Financing Costs	(35,204)	—	(659)	—	(35,863)	—
Federal Grants and Other Revenues	—	62,553	16,758	2,049	81,360	542
Restricted Sales Tax	—	—	16,081	500	16,581	—
Transfers In from Other Funds	—	—	1,603	8,672	10,275	457
Transfers Out to Other Funds	—	—	(2,426)	(33,533)	(35,959)	(4,557)
Net Cash Provided (Used) by Noncapital Financing Activities	148,152	62,554	26,817	(21,787)	215,736	(5,126)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Borrowings Under Interfund Loans	—	—	—	—	0	2,605
Repayments Under Interfund Loans	—	—	—	—	0	(3,540)
Proceeds from Bond and Note Debt Issuance/Grants	8,195	—	—	1,383	9,578	—
Proceeds from Disposition of Capital Assets	—	—	—	10	10	3,484
Federal Grants and Other Revenues	—	—	—	—	0	122
Principal Paid on Debt and Contract Maturities	—	—	—	(553)	(553)	(35)
Acquisition and Construction of Capital Assets	(8,749)	—	—	(3,538)	(12,287)	(23,378)
Interest Paid on Bonds, Notes, and Capital Leases	(136)	—	—	(550)	(686)	(58)
Transfers In from Other Funds	—	—	—	735	735	3,129
Transfers Out to Other Funds	—	—	—	(1,409)	(1,409)	—
Net Cash Provided (Used) by Capital and Related Financing Activities	(690)	0	0	(3,922)	(4,612)	(17,671)
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from the Sale and Maturity of Investments	448,169	—	10,985	36,614	495,768	69,966
Receipts of Interest and Dividends from Investments	9,243	36,255	1,998	1,449	48,945	6,402
Payments to Purchase Investments	(559,364)	—	(8,349)	—	(567,713)	(50,256)
Net Cash Provided (Used) by Investing Activities	(101,952)	36,255	4,634	38,063	(23,000)	26,112
Net Cash Provided (Used) – All Activities	12,248	(63,826)	(8,783)	28,646	(31,715)	43,852
Cash and Cash Equivalents – Beginning	64,534	601,275	70,978	36,653	773,440	17,880
Cash and Cash Equivalents – Ending	$ 76,782	$ 537,449	$ 62,195	$ 65,299	$ 741,725	$ 61,732

The Notes to the Financial Statements are an integral part of this statement.

Continues

Statement Of Cash Flows
Proprietary Funds

Continued

For the Fiscal Year Ended June 30, 2002 (Expressed in Thousands)

	Business-type Activities – Enterprise Funds					Governmental Activities –
	Student Assistance Programs	**Unemployment Compensation Fund**	**Water Loan Programs**	**Nonmajor Enterprise Funds**	**Total**	**Internal Service Funds**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating Income (Loss)	$ 14,158	$ (164,040)	$ 3,416	$ 37,856	$ (108,610)	$ 8,542
Adjustments to Reconcile Operating Income (Loss)						
Depreciation Expense	406	—	—	1,872	2,278	20,125
Interest Expense for Noncapital and Capital Financing	29,012	—	—	—	29,012	—
Miscellaneous Gains, Losses, and Other Items	3,755	—	—	479	4,234	—
Net Changes in Assets and Liabilities:						
Accounts Receivable/Due From Other Funds	(6,753)	(1,986)	23	1,096	(7,620)	3,217
Notes/Accrued Interest Receivables	(79,911)	—	(43,879)	(24,166)	(147,956)	150
Inventories	—	—	—	(1,227)	(1,227)	(277)
Prepaid Items	129	—	—	17	146	3,065
Accrued Liabilities/Due to Other Funds	5,325	(1,000)	206	130	4,661	(2,777)
Deferred Revenue/Deposits	617	—	—	235	852	509
Policy Claims Liabilities	—	4,391	—	—	4,391	7,983
Net Cash Provided (Used) by Operating Activities	$ (33,262)	$ (162,635)	$ (40,234)	$ 16,292	$ (219,839)	$ 40,537
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES						
Increase (Decrease) in Fair Value of Investments	$ —	$ —	$ (149)	$ (129)	$ (278)	$ (528)
Total Noncash Investing, Capital, and Financing Activities	$ 0	$ 0	$ (149)	$ (129)	$ (278)	$ (528)

The Notes to the Financial Statements are an integral part of this statement.

Statement Of Fiduciary Net Assets
Fiduciary Funds

June 30, 2002 (Expressed in Thousands)

	Pension Trust Funds	Investment Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS				
Cash and Cash Equivalents	$ 589,267	$ 133,988	$ 20,034	$ 59,757
Investments	15,396,101	3,095,004	301,065	9,847
Receivables:				
Accounts	23	—	2,975	16
Contributions	24,480	—	—	—
Investments	178,738	—	—	—
Accrued Interest	—	17,656	—	—
Accrued Assessments	—	—	6,454	—
Due From Other Funds	—	—	60	4,610
Land	1,779	—	264	—
Buildings and Improvements	10,587	—	4,579	—
Machinery and Equipment	2,984	—	198	—
Less Accumulated Depreciation	(9,838)	—	(882)	—
Total Assets	16,194,121	3,246,648	334,747	$ 74,230
LIABILITIES				
Accounts Payable	432,485	—	1,961	—
Securities Lending Liability	1,602,071	—	—	—
Due To Other Funds	—	—	2,338	—
Due To Other Individuals or Groups	—	—	—	29,201
Due To Other Taxing Units	—	—	—	45,029
Deferred Revenue	—	—	285	—
Leave/Postemployment Benefits	1,565	—	—	—
Policy Claims Liabilities/Insurance Reserves	46,977	—	389,830	—
Total Liabilities	2,083,098	0	394,414	$ 74,230
NET ASSETS				
Held in trust for:				
Pension Benefits	12,581,460	—	—	
Deferred Compensation	1,529,563	—	—	
Pool Participants	—	3,246,648	—	
Individuals, Organizations, and Other Governments	—	—	(59,667)	
Total Net Assets	$ 14,111,023	$ 3,246,648	$ (59,667)	
Participant Account Balance Net Asset Valuation Factor		0.997257		

The Notes to the Financial Statements are an integral part of this statement.

Statement Of Changes In Fiduciary Net Assets
Fiduciary Funds

For the Fiscal Year Ended June 30, 2002 (Expressed in Thousands)

	Pension Trust Funds	Investment Trust Fund	Private Purpose Trust Funds
ADDITIONS			
Contributions:			
Member	$ 182,597	$ —	$ 206,623
Employer	387,551	—	—
Court Fees and Fire Insurance Premiums	10,400	—	—
Total Contributions	580,548	0	206,623
Pool Participant Deposits	—	4,750,709	—
Investment Income:			
Net Increase (Decrease) in Fair Value of Investments	(1,095,194)	(8,936)	(26,977)
Interest, Dividends, and Other Investment Income	386,070	111,059	4,545
Less Investment Expenses	(23,811)	(85)	—
Net Investment Income	(732,935)	102,038	(22,432)
Other Additions:			
Escheats	—	—	8,350
Royalties and Rents	—	—	2,872
Fees, Assessments, and Revenues	—	—	56,947
Miscellaneous	—	—	2,985
Total Other	0	0	71,154
Total Additions	(152,387)	4,852,747	255,345
DEDUCTIONS			
Pension Benefits	444,621	—	—
Refunds/Plan Distributions	78,386	—	—
Earnings Distribution	—	104,353	—
Pool Participant Withdrawals	—	4,550,084	—
Trust Operating Expenses	—	—	34,483
Distributions and Benefit Payments	—	—	24,014
Administrative and General Expenses	12,440	—	9,432
Payments to Primary Government	—	—	1,579
Total Deductions	535,447	4,654,437	69,508
Change in Net Assets Held in Trust for:			
Pension Benefits	(725,060)	—	—
Deferred Compensation	37,226	—	—
Pool Participants	—	198,310	—
Individuals, Organizations, and Other Governments	—	—	185,837
Net Assets – Beginning (as restated)	14,798,857	3,048,338	(245,504)
Net Assets – Ending	$ 14,111,023	$ 3,246,648	$ (59,667)

The Notes to the Financial Statements are an integral part of this statement.

State of Utah

Combining Statement Of Net Assets
Component Units

June 30, 2002 (Expressed in Thousands)

	Utah Housing Corporation	University of Utah	Utah State University	Nonmajor Component Units	Total
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ 327,517	$ 172,566	$ 126,584	$ 127,684	$ 754,351
Investments	—	47,569	1,512	43,686	92,767
Receivables:					
Accounts, net	—	188,333	44,827	22,381	255,541
Notes/Loans/Mortgages, net	16,777	4,019	12,017	4,606	37,419
Accrued Interest	8,244	3,507	—	617	12,368
Prepaid Items	1,966	—	818	4,705	7,489
Inventories	—	21,047	3,504	8,315	32,866
Deferred Charges	—	9,142	—	395	9,537
Total Current Assets	354,504	446,183	189,262	212,389	1,202,338
Noncurrent Assets:					
Restricted Investments	63,038	234,970	34,925	79,871	412,804
Restricted Receivables, net	—	9,728	203	7,165	17,096
Investments	61,998	258,165	9,377	20,010	349,550
Prepaid Items	—	—	—	5,436	5,436
Notes/Loans/Mortgages Receivables, net	955,325	26,656	6,154	18,417	1,006,552
Deferred Charges	16,507	26,086	—	—	42,593
Capital Assets (net of Accumulated Depreciation)	1,237	1,027,811	307,045	683,675	2,019,768
Total Noncurrent Assets	1,098,105	1,583,416	357,704	814,574	3,853,799
Total Assets	1,452,609	2,029,599	546,966	1,026,963	5,056,137
LIABILITIES					
Current Liabilities:					
Accounts Payable and Accrued Liabilities	38,475	86,414	33,056	19,174	177,119
Deposits	—	—	8,109	1,032	9,141
Due To Primary Government	—	24,327	867	3,822	29,016
Deferred Revenue	—	21,478	21,360	15,151	57,989
Policy Claims Liabilities	—	60,487	—	2,486	62,973
Current Portion of Long-term Liabilities (Note 10)	108,543	21,871	12,984	15,996	159,394
Total Current Liabilities	147,018	214,577	76,376	57,661	495,632
Noncurrent Liabilities:					
Accrued Liabilities	2,079	—	—	581	2,660
Deferred Revenue	—	—	854	288	1,142
Deposits	—	8,673	—	1,979	10,652
Long-term Liabilities (Note 10)	1,118,879	340,055	37,290	92,266	1,588,490
Total Noncurrent Liabilities	1,120,958	348,728	38,144	95,114	1,602,944
Total Liabilities	1,267,976	563,305	114,520	152,775	2,098,576
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	1,237	694,102	272,181	590,778	1,558,298
Restricted for:					
Nonexpendable:					
Higher Education	—	200,551	47,665	61,362	309,578
Expendable:					
Higher Education	—	261,251	65,015	114,986	441,252
Debt Service	141,838	—	—	—	141,838
Other	—	—	—	37	37
Unrestricted	41,558	310,390	47,585	107,025	506,558
Total Net Assets	$ 184,633	$ 1,466,294	$ 432,446	$ 874,188	$ 2,957,561

The Notes to the Financial Statements are an integral part of this statement.

Combining Statement Of Activities
Component Units

For the Fiscal Year Ended June 30, 2002 (Expressed in Thousands)

	Utah Housing Corporation	University of Utah	Utah State University	Nonmajor Component Units	Total
Expenses	$ 79,330	$ 1,631,743	$ 376,943	$ 632,966	$ 2,720,982
Program Revenues:					
Charges for Services:					
Tuition and Fees	—	105,145	69,016	167,242	341,403
Scholarship Allowances	—	(8,525)	(22,213)	(30,154)	(60,892)
Sales, Services, and Other Revenues (net of University of Utah charity care of $15,743)	88,020	997,469	55,960	85,367	1,226,816
Operating Grants and Contributions	1,996	276,197	146,984	118,561	543,738
Capital Grants and Contributions	—	42,176	41,706	20,631	104,513
Total Program Revenues	90,016	1,412,462	291,453	361,647	2,155,578
Net (Expenses) Revenues	10,686	(219,281)	(85,490)	(271,319)	(565,404)
General Revenues:					
State Appropriations	—	237,169	129,039	271,311	637,519
Unrestricted Investment Income	—	—	—	345	345
Permanent Endowments Contributions	—	16,287	1,005	4,462	21,754
Special Item: Technology Finance Corporation Liquidation Transfers	—	—	—	(9,944)	(9,944)
Total General Revenues and Special Item	0	253,456	130,044	266,174	649,674
Change in Net Assets	10,686	34,175	44,554	(5,145)	84,270
Net Assets – Beginning (as restated)	173,947	1,432,119	387,892	879,333	2,873,291
Net Assets – Ending	$ 184,633	$ 1,466,294	$ 432,446	$ 874,188	$ 2,957,561

The Notes to the Financial Statements are an integral part of this statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the State of Utah conform in all material respects with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board. As discussed in Note 2, the State implemented significant new financial reporting standards for the fiscal year ended June 30, 2002, which affect the comparability with reports issued in prior years. Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

A. Reporting Entity

For financial reporting purposes, the State of Utah reporting entity includes the "primary government" and its "component units." The primary government includes all funds, agencies, boards, commissions, and authorities that are considered an integral part of the State's activities. The State's component units are legally separate organizations for which the State's elected officials are financially accountable.

The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and either: 1) the ability of the State to impose its will on that organization or; 2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the State. Where the State does not appoint a voting majority of an organization's governing body, GASB standards require inclusion in the reporting entity if an organization is fiscally dependent on the State or the relationship is such that it would be misleading to exclude it.

Except where noted below, the State's component units issue their own separate audited financial statements as special-purpose governments engaged only in business-type activities. These financial statements can be obtained from their respective administrative offices or from the Utah State Auditor's Office, 211 State Capitol, Salt Lake City, UT 84114.

Entities such as the local school districts and local authorities of various kinds that may only partially meet the criteria for inclusion in this report have not been included. (The State's support of the public education system is reported in the Uniform School Fund, a special revenue fund.)

Blended Component Units

Blended component units are entities which are legally separate from the State but which are so intertwined with the State that they are, in substance, the same as the State. They are reported as part of the primary government and blended into the appropriate funds.

Utah State Building Ownership Authority (blended with the primary government's debt service and capital projects funds) — The Authority was created by the Legislature as a body politic and corporate for the purpose of financing, owning, leasing and operating facilities to meet the needs of state government. It is comprised of seven voting members who are appointed by the Governor, and the State Budget Officer or designee. Separate financial statements are not required or issued for the Authority.

Discrete Component Units

Discretely presented component units are reported in a separate column and rows in each of the government-wide statements to emphasize that they are legally separate from the State. These component units are included in the reporting entity because under the criteria established by GASB, the State has the ability to impose its will on these organizations. The Governor appoints at least a majority of the governing board members of each of the State's component units, subject in most cases to approval by the Senate. The Governor-appointed board members can be replaced at will, except for colleges, universities, and the Comprehensive Health Insurance Pool, which are included as component units due to the level of oversight provided by the State.

The State's major discrete component units are:

- Utah Housing Corporation — The Corporation issues bonds to provide capital for housing and home mortgages, especially for low and moderate income families. Operations are financed from bond proceeds and from mortgage and investment interest and fees.

- University of Utah and Utah State University — These universities are funded through state appropriations, tuition, federal grants, and private donations and grants. In addition to instruction, these universities provide research and other services. The operations of the University of Utah also include its hospital and clinics.

The State's nonmajor discrete component units are:

- Comprehensive Health Insurance Pool — The Pool is a nonprofit quasi-governmental entity established within the State Insurance Department. It provides access to health insurance coverage for residents of the State who are considered uninsurable.

- Heber Valley Historic Railroad Authority — The Authority is an independent state agency which maintains and operates a scenic and historic railroad in and around the Heber Valley. The Authority has a separate compilation report, but separate audited financial statements are not required or issued for it.

- Utah State Fair Corporation — This is a nonprofit public corporation that operates the State Fair Park and conducts the Utah State Fair and other various expositions and entertainment events. It receives state appropriations for operations and working capital.

- Utah Science Center Authority — The Authority is an independent state agency created to provide a means to foster the development of science, arts, tourism, and cultural and educational facilities. Separate audited financial statements are not required or issued for the Authority.

- Utah Technology Finance Corporation — This is an independent corporation which encouraged and assisted in the growth of technological and small businesses throughout the State. The Corporation's enabling legislation has been repealed and the Corporation is currently being liquidated. During the year ended June 30, 2002, the Corporation transferred its non-State programs to an unrelated non-profit corporation and returned to the State a portion of the State's equity in the

Corporation. The Corporation will transfer any remaining liquidation proceeds to the State before the Corporation's final dissolution on June 30, 2003.

- Colleges and Universities — Weber State University, Southern Utah University, Salt Lake Community College, Utah Valley State College, Dixie State College of Utah, College of Eastern Utah, Snow College, and the College of Applied Technology. Separate audited financial statements are not required or issued for the College of Applied Technology; however, its significant branch campuses each issue separate audited financial statements.

Fiduciary Component Units

Utah Retirement Systems (pension trust funds) — Utah Retirement Systems administers pension funds for various public employee retirement systems and plans of the State and its political subdivisions. Utah Retirement Systems is an independent state agency subject to legislative and executive department budgetary examination and comment. A seven-member board is established by statute to administer the systems and plans, and to serve as investment trustees of the funds. Six members are appointed by the Governor with the advice and consent of the Senate, while the State Treasurer serves as the seventh member. Because of the State's trustee responsibilities for these systems and plans, GAAP requires them to be reported as pension trust funds of the primary government rather than discrete component units. In accordance with GAAP, fiduciary funds and component units that are fiduciary in nature are excluded from the government-wide financial statements.

Related Organization (Excluded from Financial Statements)

Workers' Compensation Fund — This fund is a nonprofit quasi-governmental corporation that provides workers' compensation insurance to private and public employers. The Governor appoints the Fund's board of directors, but the State's financial accountability for the Fund does not extend beyond making the appointments.

B. **Government-wide and Fund Financial Statements**

Government-wide Financial Statements

The Statement of Net Assets and Statement of Activities report information on all nonfiduciary activities of the primary government and its component units. Primary government activities are distinguished between *governmental* and *business-type* activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Assets presents the reporting entities' non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are restricted when constraints placed upon them are either externally imposed or are imposed by constitutional provisions or enabling legislation.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. The State does not allocate general government (indirect) expenses to other functions. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide statements. For governmental and proprietary funds financial statements, the emphasis is on major individual governmental and enterprise funds, with each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Internal service funds are also aggregated and reported in a separate column on the proprietary funds financial statements.

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of the cash flows. Nonexchange transactions, in which the State receives value without directly giving equal value in exchange, include taxes, grants, and donations. Tax revenue is recognized in the fiscal year in which the related sales, wages, or activity being taxed occurred. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been met.

Governmental Fund Financial Statements

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. For this purpose, the State generally considers tax and other revenues to be available if the revenues are collected within 45 days after yearend. An exception to this policy is federal grant revenues, which are considered to be available if collection is expected within 12 months after yearend.

Expenditures are generally recorded when the related liability is incurred, as under the accrual basis of accounting. However, expenditures for principal and interest on long-term debt are recorded when due or when amounts have been accumulated in the debt service fund for payments of interest to be made early in the following year. Also, expenditures and related liabilities for compensated absences, postemployment benefits, and claims and judgments are recorded only to the extent they have matured (come due for payment).

Major Governmental Funds — The State reports the following major governmental funds:

- **General Fund**. This fund is the principal operating fund of the State. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

- **Uniform School Fund**. This special revenue fund accounts mainly for revenues and expenditures that support public elementary and secondary schools in the State.

- **Transportation Fund**. This special revenue fund accounts for revenues and expenditures associated with highway construction and maintenance.

- **Centennial Highway Fund**. This special revenue fund was created by the Legislature to account for specific highway projects.

- **Trust Lands Fund**. This is a permanent fund that accounts for land grants and the sale of such lands received from the federal *Enabling Act*. The principal in the fund is perpetual, with the earnings used mainly to support public education.

Nonmajor Governmental Funds — The State's nonmajor governmental funds include other special revenue funds, capital projects funds, and debt service funds. The nonmajor special revenue funds account for specific revenue sources that are legally restricted to expenditures for specific purposes. Examples include tobacco settlement monies, environmental activities, crime victim reparations and rural development programs. The capital projects funds account for the resources used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds. The debt service funds account for resources used for the payment of interest and principal on general long-term debt obligations.

Proprietary Fund Financial Statements

The financial statements of the proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements described above. Proprietary funds include both enterprise and internal service fund types. Enterprise funds report the activities for which fees are charged to external users for goods or services. Internal service funds account for goods and services provided primarily to other agencies or funds of the State, rather than to the general public.

The proprietary funds follow all GASB pronouncements and all Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, except those that conflict with a GASB pronouncement. In addition, as allowed by GASB standards, the following enterprise funds have elected to apply all applicable FASB pronouncements issued after November 30, 1989, that do not conflict with GASB standards: Student Assistance Programs (major enterprise fund) and Utah Dairy Commission (nonmajor enterprise fund).

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition, such as subsidies and investment earnings, are reported as nonoperating.

Major Enterprise Funds — The State reports the following major enterprise funds in its proprietary fund statements:

- **Student Assistance Programs**. These programs make loans to, and purchase loans of, qualified students attending eligible higher education institutions. The programs also guarantee the repayment of student loans made by participating lenders to eligible students.

- **Unemployment Compensation Fund**. This fund pays claims for unemployment to eligible recipients.

- **Water Loan Programs**. This fund provides loans to local governments, water districts, and other entities for the purpose of upgrading water storage facilities and other related structures.

Nonmajor Enterprise Funds — The State's nonmajor enterprise funds include loan programs for communities, low-income housing, agricultural and other purposes; Alcoholic Beverage Control (state liquor stores); and correctional industries.

Internal Service Funds — The State also reports the internal service fund type in the proprietary funds statements. The activities accounted for in internal service funds include employee health insurance, information technology, fleet operations, risk management, copy and mail services, debt collection, and property management. In the government-wide financial statements, internal service funds are included with governmental activities.

Fiduciary Fund Financial Statements

The fiduciary funds account for assets held by the State in a trustee capacity or as an agent for other individuals or organizations. The fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The following fiduciary fund types are reported:

Pension Trust Funds — These funds account for the transactions, assets, liabilities, and fund equity of the retirement systems and plans administered by Utah Retirement Systems.

Investment Trust Fund — This fund is used to account for the investments related to external participants in the Utah State Public Treasurer's Investment Fund.

Private Purpose Trust Funds — These funds report resources of all other trust arrangements in which principal and income benefit individuals, private organizations or other governments. Examples include the Utah Navajo Nation Trust, Unclaimed Property Trust, Employers' Reinsurance Trust, Petroleum Storage Tank Trust, and the Utah Education Savings Plan Trust.

Agency Funds — These funds account for assets held by the State as an agent for other governmental units, other organizations, or individuals, such as fines, forfeitures, tax collections, and withholding taxes for employees.

Component Unit Financial Statements

The combining component unit financial statements are presented in order to provide information on each of the major component units included in the component unit's column of the government-wide statements. The component unit financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The information is presented in order to be consistent with the government-wide statements, and is less detailed than the presentation in each component unit's separately issued financial statements. The component units follow all GASB pronouncements, and all FASB pronouncements issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

D. **Fiscal Year Ends**

All funds and discretely presented component units are reported using fiscal years which end on June 30, except the pension trust funds (fiduciary funds) and the Utah Dairy Commission (a nonmajor enterprise fund), which have fiscal years ending December 31.

E. **Assets, Liabilities, and Net Assets/Fund Balances**

Cash and Cash Equivalents and Investments

Cash and investment management in the State is administered by the State Treasurer in accordance with the Money Management Act, Section 51–7 of the *Utah Code*. The Act specifies the investments that may be made, which are only high-grade securities and, therefore, there is very little credit risk except in the most unusual and unforeseen circumstances. The investments include variable rate corporate notes and obligations of U.S. government agencies which base their rates on standard quoted money market indexes that have a direct correlation to the federal funds rate and, therefore, there is very little market risk because the investments follow the normal swings of interest rates. The Pension Trust Funds; Utah Housing Corporation and Utah Technology Finance Corporation (component units); and Utah Public Employees Group Insurance (internal service fund) are exempt from the Act; however, they are governed statutorily by the prudent man rule. The Pension Trust Funds are invested in domestic and international equities and fixed income, corporate and government bonds, short-term securities, real estate and real estate mortgages, joint ventures, and venture capital.

- Cash equivalents are generally considered short-term, highly liquid investments with a maturity of three months or less from the purchase date. The Student Assistance Programs (enterprise fund) use a trustee for their long-term investing needs, and they consider any cash and cash equivalents held by their trustee as investments.

- All cash deposited with the State Treasurer by state entities is maintained by the Treasurer in various pooled investment funds. The State Treasurer invests the deposited cash, including the cash float, in short-term securities and other investments. All interest revenue is allocated to the General Fund unless state law or trust agreements require allocations of interest to other funds. Funds authorized to receive interest earnings are segregated into separate investment pools, and interest is allocated based on cash balances in the pool.

- Investments (including cash equivalents) are under the control of the State Treasurer or other administrative bodies as determined by law. In certain instances, investments may be restricted by law or other legal instruments. Investments are presented at fair value. The fair value of investments is based on published prices and quotations from major investment brokers at current exchange rates, as available. For investments where no readily ascertainable fair value exists, management, in consultation with their investment advisors, have determined the fair values for the individual investments. Investments held as security deposits which are not held for investment purposes are carried at cost. The Utah Retirement Systems (pension trust funds) mortgages are valued on an amortized cost basis which approximates fair value, and the fair value of real estate investments has been estimated based on independent appraisals.

- The State's Unemployment Compensation Fund (enterprise fund) monies are required by the Social Security Act to be invested in the U.S. Department of Treasury, Bureau of Public Debt Unemployment Trust Fund (BPDUTF), which is not registered with the SEC. The fair value of the position in the BPDUTF is the same as the value of the BPDUTF shares.

- Utah Retirement Systems (pension trust funds) held two types of derivative financial instruments at yearend: futures and currency forwards. Futures contracts are traded on organized exchanges to minimize credit risk. Currency forwards are entered into in order to hedge the exposure to changes in foreign currency exchange rates on foreign currency dominated portfolio holdings. Utah Housing Corporation (major component unit) enters into various rate swap contracts in order to increase funding capabilities. The Corporation sells variable rate bonds and minimizes the inherent risk with the use of floating-to-fixed interest rate swap contracts. See Note 3 for additional information about derivatives.

Receivables

Accounts receivables in the governmental and business-type activities consist mainly of amounts due from the Federal Government, customers, and others. Receivables from the Federal Government are reasonably assured; accordingly, no allowance for uncollectible accounts has been established.

Notes/mortgages receivable for governmental and business-type activities are primarily long-term loans for local governments and agricultural development, home mortgages, and individual student loans. The interest rates on the loans vary but are generally lower than market rates and, in some cases, are non-interest bearing. Student loans in the Student Assistance Programs (business-type activities) are fixed and variable rate federally insured loans. Student loans are insured at 98 percent of their principal balance.

Accrued taxes include receivables for taxpayer-assessed taxes where the underlying exchange has occurred in the period ending June 30 or prior, net of applicable estimated refunds and allowances.

Note 5 provides a disaggregation of governmental and business-type receivables, including a breakout of current/noncurrent balances and established allowances.

Inventories and Prepaid Items

Proprietary funds and component units inventories are valued at the lower of cost or market. Cost evaluation methods include first-in-first-out (FIFO), last-in-first-out (LIFO), average cost, weighted average, weighted moving average, and retail inventory method.

Governmental fund inventories are recorded as expenditures when purchased except for the following which are recorded as expenditures when consumed: inventories for the Transportation Fund, and food stamps coupon inventories in the General Fund. Transportation Fund inventories are valued using a weighted average cost.

Prepaid items related to governmental funds are immaterial and recorded as expenditures in the governmental funds financial statements when paid.

Capital Assets

Capital assets, which include land, buildings, equipment, and infrastructure (roads, bridges, drainage systems, lighting systems, and similar items), are reported in the applicable governmental or business-type activities columns, or in the component units column on the government-wide Statement of Net Assets. Capital assets of proprietary funds and fiduciary funds are also recorded in their respective fund statements. Capital assets are defined by the State as assets which cost $5 thousand or more when acquired and have an estimated useful life greater than one year. Purchased or constructed capital assets are recorded at cost or at estimated historical cost where historical cost is not available. Donated fixed assets are valued at their estimated fair value at the date of donation.

Capital assets purchased by governmental funds are recorded as expenditures in the governmental fund financial statements. Interest expense for capital asset construction related to governmental activities is not capitalized. Interest expense incurred during construction of capital facilities related to business-type activities and component units is immaterial and is not capitalized in all cases.

Buildings, equipment, and other depreciable assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Years
Equipment	3-15
Aircraft and Heavy Equipment	5-30
Buildings and Improvements	30-40
Land Improvements	5-20
Infrastructure	15-80

As provided by GASB standards, the State has elected to use the "modified approach" to account for infrastructure assets (roads and bridges) maintained by the State's Department of Transportation. Under this approach, depreciation expense is not recorded and only improvements which expand the capacity or efficiency of an infrastructure asset are capitalized. Using this approach requires the State to: 1) maintain an inventory of the assets and perform periodic condition assessments; 2) estimate each year the annual amount to maintain and preserve the assets at the condition level set by the State; and 3) document that the assets are being preserved approximately at or above the condition level set by the State.

Most works of art and historical treasures are not capitalized or depreciated. These assets cannot be reasonably valued and have inexhaustible useful lives or are maintained in perpetuity. These assets include the State Fine Art Collection, photographs, prints, paintings, historical documents and artifacts, monuments, statues, and paleontological and archaeological collections.

Accrued Liabilities

Accrued liabilities include the liability for employee payrolls and liabilities accruing over time where demand for payment is due shortly after fiscal yearend. See Note 6 for additional information about accrued liabilities.

Deferred Revenue

In the government-wide statements, proprietary fund statements, and fiduciary fund statements, deferred revenue is recorded when cash or other assets are received prior to being earned. In the governmental fund statements, deferred revenue is recorded when revenue is either unearned or unavailable. Deferred revenues for the Student Assistance Programs (enterprise fund) are primarily guarantee fees which are recognized as income over a period of ten years using the sum-of-the-years-digits method.

Policy Claims Liabilities

Policy claims liabilities are for insurance claims incurred prior to the reporting date and are based on actuarial estimates.

Long-term Liabilities

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the bonds outstanding method or straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The *Tax Reform Act of 1986* requires governmental entities issuing tax-exempt bonds to refund to the U.S. Treasury interest earnings on bond proceeds in excess of the yield on those bonds. Governmental entities must comply with arbitrage rebate requirements in order for their bonds to maintain tax-exempt status. Entities are required to remit arbitrage rebate payments to the federal government at least once every five years over the life of the bonds. Some State of Utah bonds may be exempt from the rebate requirements if they meet certain statutory exceptions per the regulations.

Arbitrage liability is treated as an expense on the government-wide Statement of Net Assets when the liability is recognized. Arbitrage liability is recorded as an expenditure in the governmental funds financial statements when the liability is due. At June 30, 2002, the total estimated arbitrage rebate liability in the Student Assistance Programs (enterprise fund) was $36.830 million, of which $32.633 million represents yield reduction payments and $4.197 million represents the estimated liabilities for non-purpose interest. Other arbitrage liabilities are immaterial.

Compensated Absences and Leave/Postemployment Benefits

Employees' vacation leave is accrued at a rate of four hours every two weeks for the first five years of employment, and grows to a rate of seven hours every two weeks after 20 years of employment. There is no requirement to use vacation leave, but a maximum of 40 days may be carried forward at the beginning of each calendar year. Unused vacation leave is paid to employees upon termination.

Employees earn sick leave at a rate of four hours for each two week period, with no limit to the amount that can be accumulated. The State does not reimburse employees for unused sick leave upon termination except employees eligible for retirement. Sick leave is expended when used. At retirement, for participating agencies, the State will pay an employee up to 25 percent of the employee's accumulated sick leave and will pay for premiums to maintain health and life insurance coverage for up to five years or until the employee turns age 65, whichever comes first. The employee may use any remaining sick leave balances to acquire health insurance to age 65, and since fiscal year 1999, health insurance for the employee's spouse until they reach age 65, and Medicare supplement insurance after age 65 for both the employee and their spouse. An estimate of the liability for the above leave and retirement benefits has been recorded in the governmental activities column of the government-wide Statement of Net Assets.

The State maintains compensated absences and postemployment benefit pools within the General Fund, Uniform School Fund, and Transportation Fund. The ongoing payments from the pools are provided by charges to agency budgets as benefits are earned. Vacation leave taken as time off is paid from current budgets when used. Payment of leave balances at termination and payment of postemployment benefits are made from the compensated absences and postemployment benefit pools. Proprietary funds and private purpose trust funds of the primary government also participate in the pools and have no liability for leave or postemployment benefits once their contributions to the pools have been made.

The total liability of the governmental activities for vacation leave and postemployment benefits is recorded in the government-wide Statement of Net Assets. However, in accordance with GAAP, the liability is not recorded in the governmental funds financial statements. See Notes 10 and 18 for additional information about the liability.

Compensatory time for overtime worked may be earned up to a maximum of 80 hours. Any overtime exceeding 80 hours is paid when earned. In accordance with GAAP, compensatory time is expended when the leave is taken in governmental funds, but is expensed when earned for budgetary purposes.

Vacation earnings, sick leave earnings, and postemployment benefits policies vary slightly among component units and from the primary government's policies. Vacation leave is expended when earned and sick leave is expended when used.

Net Assets/Fund Balances

The difference between assets and liabilities is “Net Assets” on the government-wide, proprietary fund, and fiduciary funds financial statements, and “Fund Balance” on the governmental fund financial statements.

In the governmental fund financial statements, fund balances are classified as reserved, designated, or unreserved. Reserves represent those portions of fund balance not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

F. **Revenues and Expenditures/Expenses**

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the State's general policy to use restricted resources first. However, the State has some programs that are funded by appropriations from both unrestricted resources and resources required by law to be deposited in a specific subfund for a specific purpose (which may include restricted resources). In those instances, it is the State's policy to expend those resources proportionally based on the amounts appropriated from each source.

Grants

Federal grants and assistance awards made on the basis of entitlement periods are recorded as revenues when entitlement occurs. All federal reimbursement-type grants are recorded as revenues when the related allowable expenditures are incurred and all applicable eligibility requirements are met.

Federal grants include nonmonetary transactions for food and other commodities, and food stamps. Commodities revenue and expenditures are valued at their federally reported value. Commodity inventories at yearend are immaterial. For the fiscal year ended June 30, 2002, the State reported revenue and expenditures of $73.534 million for food assistance programs and $4.119 million for commodities in the General Fund, and $9.283 million for commodities in the Uniform School Fund (special revenue fund).

Investment Income

Investment income includes interest, dividends and other earnings, and the change in fair value of investments. Negative investment income is reported where the decrease in the fair value of investments due to market conditions exceeded the other components of investment income.

In accordance with state law, interest and dividend income from investments in the Trust Lands permanent fund and the Tobacco Endowment Fund (nonmajor governmental fund) is assigned to and reported directly in the Uniform School Fund and the General Fund, respectively. One half of the applicable income reported in the General Fund is then transferred back into the Tobacco Endowment Fund to increase the principal in the fund as required by state law.

Retirement and Employee Benefit Costs

Most state employees participate in a pension system and/or plan administered by Utah Retirement Systems. Contributions collected for the pension systems and plans and the retirement benefits paid are both accounted for in the Pension Trust Funds. All costs for pension, health, and federal social security contributions in governmental fund types are reported as expenditures in the appropriate function. Benefit costs applicable to proprietary fund types are reflected as expenses in the proprietary funds.

G. **Interfund Transactions**

Government-wide Financial Statements

Interfund Activity — In general, eliminations have been made to minimize the double-counting of internal activity, including internal service fund type activity. However, interfund services, provided and used between different functional categories, have not been eliminated in order to avoid distorting the direct costs and program revenues of the applicable functions. Operating transfers between governmental and business-type activities are reported at the net amount.

Interfund Balances — Interfund receivables and payables have been eliminated from the government-wide Statement of Net Assets, except for the residual amounts due between governmental and business-type activities.

Governmental Fund Financial Statements

Interfund Activity — Interfund transactions for goods sold or services rendered for a price approximating their external exchange value, and employee benefit contributions are accounted for as revenues and expenditures/expenses in the funds involved.

Transfers are used to report flows of cash (or other assets) between funds without equivalent flows of assets in return or a requirement for repayment. The State's transfers are based on legislative appropriations or other legal authority. Transfers are presented in Note 13.

NOTE 2. ACCOUNTING CHANGES AND RESTATEMENTS

The State implemented the following new accounting standards issued by the Governmental Accounting Standards Board (GASB) for the fiscal year ended June 30, 2002:

Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*,

Statement 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*,

Statement 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*,

Statement 38, *Certain Financial Statement Note Disclosures*, and

Interpretation 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

Statement 34, as amended by Statement 37, establishes new financial reporting standards for state and local governments. The new standards significantly change the financial reporting model used by state governments, including changes in statement formats, fund types, and criteria for determining fund types. In addition to fund financial statements, government-wide financial statements presenting summarized information for governmental activities, business-type activities, and component units are now required. As discussed in Note 1, the government-wide financial statements are prepared using the accrual basis of accounting rather than the modified accrual basis of accounting used in the governmental fund financial statements. As a result of these new standards, fund reclassifications and adjustments to fund equities reported in the prior financial statements were required. Significant changes due to Statement 34 include requiring infrastructure assets (mainly roads and bridges) to be reported as capital assets, and requiring capital assets and general long-term obligations to be reported in the government-wide financial statements rather than in account groups. Infrastructure assets were previously excluded from the financial statements.

Statement 35 establishes new financial reporting standards for public colleges and universities within the reporting guidelines of Statement 34. All of the State's colleges and universities (component units) have adopted Statement 35. A significant change for colleges and universities is the requirement to depreciate capital assets. All but one of the State's colleges and universities previously did not recognize depreciation on capital assets.

Statement 38 requires certain note disclosures when Statement 34 is implemented.

As a result of additional guidance in Interpretation 6, liabilities for compensated absences and postemployment benefits previously reported in the General Fund, Uniform School Fund, and Transportation Fund are now reported only on the government-wide financial statements.

The provisions of these new standards have been incorporated into the financial statements and notes. The following table summarizes (in thousands) the changes to fund equities as previously reported and the beginning fund balances/net assets as restated and reported in these financial statements. These changes resulted primarily from implementing the new accounting standards. However, the Legislature created the College of Applied Technology (nonmajor component unit) effective for fiscal year 2002 and Applied Technology Centers became part of the newly created college. As a result, $93.808 million of net assets of Applied Technology Centers previously reported in the Uniform School Fund and general fixed assets account group were reclassified as net assets of component units.

Restatement of Beginning Fund Balance/Net Assets
(Expressed in Thousands)

	June 30, 2001 As Previously Reported	Changes in Accounting Principle: Fund Reclassifications	Changes in Accounting Principle: Other	June 30, 2001 As Restated
Governmental Funds and Activities				
Major Funds:				
General Fund	$ 708,067	$ (286,759)	$ 146,502	$ 567,810
Uniform School Fund	218,745	(4,059)	28,041	242,727
Transportation Fund	95,302	—	30,778	126,080
Centennial Highway Fund	63,933	—	—	63,933
Trust Lands	—	372,224	(11,364)	360,860
Total Major Governmental Funds	1,086,047	81,406	193,957	1,361,410
Nonmajor Funds:				
Special Revenue Funds	30,566	62,103	1	92,670
Capital Projects	128,340	—	—	128,340
Debt Service	11,475	(219)	854	12,110
Total Nonmajor Governmental Funds	170,381	61,884	855	233,120
Total Governmental Funds— Fund Balances	1,256,428	143,290	194,812	1,594,530
Governmental Activities Adjustments:				
Capital Assets, Net of Depreciation	—	1,322,959	7,378,732	8,701,691
Revenue Recognition	—	—	382,314	382,314
Long-term Bonds, Notes and Leases Payable	—	(1,399,367)	(2,061)	(1,401,428)
Long-term Liabilities for Compensated Absences and Postemployment Benefits	—	(41,234)	(265,709)	(306,943)
Internal Service Fund Conversion	—	115,881	—	115,881
Total Governmental Activities Adjustments	—	(1,761)	7,493,276	7,491,515
Total Governmental Activities—Net Assets	$ 1,256,428	$ 141,529	$ 7,688,088	$ 9,086,045
Proprietary Funds and Business-type Activities				
Major Funds:				
Student Assistance Programs	$ 178,055	$ —	$ —	$ 178,055
Unemployment Compensation	—	599,964	19,009	618,973
Water Loan Programs	—	457,942	(16)	457,926
Nonmajor Funds:				
Nonmajor Enterprise Funds	65,336	237,821	(62)	303,095
Funds Previously Reported as Enterprise Funds	8,127	(8,127)	—	0
Total Enterprise Funds	251,518	1,287,600	18,931	1,558,049
Internal Service Fund Reclassification	412,541	(412,541)	—	0
Internal Service Fund Conversion	115,881	(115,881)	—	0
Total Enterprise Funds and Business-type Activities—Net Assets	$ 779,940	$ 759,178	$ 18,931	$ 1,558,049

continues below

Restatement of Beginning Fund Balance/Net Assets
(Expressed in Thousands)

	June 30, 2001 As Previously Reported	Changes in Accounting Principle: Fund Reclassifications	Changes in Accounting Principle: Other	June 30, 2001 As Restated
Fiduciary Funds				
Pension Trust Fund	$ 14,583,252	$ 215,605	$ —	$ 14,798,857
Investment Trust Fund	3,048,338	—	—	3,048,338
Private Purpose Trust Funds	—	(258,565)	13,061	(245,504)
Funds Previously Reported as Expendable Trust Funds	611,971	(611,971)	—	0
Fund Previously Reported as Nonexpendable Trust Fund	372,224	(372,224)	—	0
Total Fiduciary Funds—Net Assets	$ 18,615,785	$ (1,027,155)	$ 13,061	$ 17,601,691
Agency Funds—Total Assets	$ 70,829	$ 5,839	$ (2,685)	$ 73,983
Component Units				
Component Units—Net Assets	$ 3,845,097	$ 93,808	$ (1,065,614)	$ 2,873,291
Account Groups				
General Fixed Assets	$ 1,417,730	$ (1,417,730)	$ —	$ 0
General Long-term Obligations	(1,444,531)	1,444,531	—	0
Total Account Groups	$ (26,801)	$ 26,801	$ 0	$ 0

NOTE 3. DEPOSITS AND INVESTMENTS

Listed below is a summary of the deposit and investment portfolio that represents the cash and cash equivalents and investments on the June 30, 2002, balance sheet. Investing is governed by the prudent man rule, in accordance with the Money Management Act, Section 51–7, *Utah Code Annotated, 1953,* as amended. Except certain repurchase agreements, all securities of the primary government purchased or held and all evidence of deposits and investments must be in the custody of the State, or may be held by an agent in the State's name. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of investment securities.

A. Deposits

At June 30, 2002, the carrying amount of the State's deposits for the primary government was $303.906 million and $82.707 million for the component units. At June 30, 2002, the bank balance was $204.412 million and $110.911 million for the primary government and component units, respectively. Of the bank balance for the primary government, $4.009 million was covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held by the State's agent in the name of the State. Of the bank balance for the component units, $5.778 million was covered by the FDIC or by collateral held by the State's agent in the name of the State. The remaining deposits for the primary government and component units were uninsured and uncollateralized and were held by various financial institutions. The State of Utah does not require collateral on deposits. However, the State Commissioner of Financial Institutions monitors financial institutions monthly and establishes limits for the deposit of public money at individual financial institutions.

B. Investments

Statutes authorize the State to invest in negotiable and non-negotiable certificates of deposit; repurchase and reverse repurchase agreements; commercial paper; bankers' acceptances; obligations of the U.S. Treasury and certain agencies of the U.S. Government; corporate obligations; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; shares or certificates in open-end managed money market mutual funds; and various other investments. Authorized investments are subject to certain restrictions. Certain state agencies and component units are also allowed by statute to invest in investment contracts, equity securities, real estate, and other investments. In addition to investments authorized by statute, bond proceeds are invested in other investments in accordance with the applicable bond resolutions. Investment types for Pension Trust Funds and certain other funds and component units are not restricted by state statute.

The following table provides information about the credit and market risks associated with the State's investments. Category 1 includes investments that are insured or registered, or for which the securities are held by the State or its agent in the State's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the State's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the State's name.

Credit and Market Risks of Investments – Primary Government
(Expressed in Thousands)

	Category 1	Category 2	Category 3	Fair Value
Repurchase Agreements	$ —	$ 331	$ 33,397	$ 33,728
U.S. Government Securities	832,460	4,153	—	836,613
Negotiable Certificates of Deposit	105	—	—	105
Commercial Paper	2,985	—	—	2,985
Corporate Bonds and Notes	7,263,166	—	—	7,263,166
Equity Securities	6,649,696	—	—	6,649,696
Total	$ 14,748,412	$ 4,484	$ 33,397	14,786,293
Mutual and Escrow Funds				2,067,790
Investment Contracts				62,618
Investment in U.S. Treasury Investment Pool				533,654
Component Units Investment in Primary Government's Investment Pool				(380,296)
Real Estate				506,256
Real Estate Mortgages				3,363
Real Estate Joint Ventures				571,842
Venture Capital				677,600
Investments Held by Broker-Dealers Under Securities Lending Program:				
U.S. Government Securities				441,748
Equity Securities				907,058
Corporate Bonds and Notes				209,511
Securities Lending Short-Term Collateral Investment Pool				1,612,238
Total Investments				$ 21,999,675

The Pension Trust Funds own approximately 68 percent of the investments that are in Category 1.

Credit and Market Risks of Investments – Component Units
(Expressed in Thousands)

	Category 1	Category 2	Category 3	Fair Value
Repurchase Agreements	$ —	$ —	$ 11,279	$ 11,279
U.S. Government Securities	224,610	104,644	29,015	358,269
Negotiable Certificates of Deposit	2,897	—	504	3,401
Corporate Bonds and Notes	1,236	1,284	1,478	3,998
Equity Securities	24,855	14,765	12,253	51,873
Municipal and Public Utility Bonds	988	—	648	1,636
Total	$ 254,586	$ 120,693	$ 55,177	430,456
Mutual and Escrow Funds				522,709
Investment Contracts				189,415
Investment in Primary Government's Investment Pool				380,296
Real Estate				3,889
Total Investments				$ 1,526,765

C. **Securities Lending**

The Utah Retirement Systems (pension trust funds) and the Utah Public Employees Group Insurance Program (internal service funds) participate in security lending programs as authorized by their Boards. The types of securities lent are U.S. government securities, equity securities, and corporate bonds and notes. Under these programs, securities are transferred to an independent broker or dealer in exchange for collateral in the form of cash, government securities, and irrevocable bank letters of credit equal to 102 percent of the market value of the domestic securities on loan and 105 percent of the market value of the international securities on loan, with a simultaneous agreement to return the collateral for the same securities in the future. There are no restrictions on the amount of loans that can be made. For both state entities, their custodial agent is the agent for its securities lending program. Securities under loan are maintained in both state entities' financial records and are presented as unclassified in the preceding summary of custodial risk. Corresponding assets and liabilities for collateral received, which can be pledged or sold without a borrower default, are recorded at the fair value. At yearend there was no collateral which cannot be pledged or sold without a borrower default.

At yearend neither the Utah Retirement Systems nor Utah Public Employees Group Insurance Program had any credit risk exposure to borrowers because the collateral exceeded the amount borrowed. The securities on loan at yearend for the entities were $1.546 billion and $12.510 million, respectively, and the collateral received for those securities on loan was $1.602 billion and $12.813 million, respectively, with carrying amount and fair value being the same. Under the terms of the lending agreement, both state entities are indemnified against loss should the lending agent be unable to recover borrowed securities and distributions due to borrower insolvency or failure of the lending agent to properly evaluate the creditworthiness of the borrower. In addition, they are indemnified against loss should the lending agent fail to demand adequate and appropriate collateral on a timely basis. All securities loaned can be terminated on demand by either the state entity or the borrower. Cash collateral is invested in the lending agent's short-term investment pool. The short-term investment pool guidelines specify that a minimum of 20 percent of the invested cash collateral is to be available each business day and that the dollar weighted average maturity of holdings should not exceed 60 days. The relationship between the maturities of the short-term investment pool and each of the state entities' loans is affected by the maturities of the securities loans made by other entities that use the agent's pool. This cannot be determined by the state entities. Since the securities lending collateral is in a pool maintained by the custodial bank, it was not necessary to report the total income and expenses of securities lending.

D. **Derivative Financial Instruments**

The Utah Retirement Systems (pension trust funds) invests in derivative financial investments as authorized by Board policy. As of yearend, the Systems had two types of derivative financial instruments: futures and currency forwards.

Futures represent commitments to purchase (asset) or sell (liability) securities or money market instruments at a future date and at a specific price. Futures contracts are traded on organized exchanges (exchange traded), thereby minimizing the Systems' credit risk. The net change in the futures contract value is settled daily in cash with the exchanges. Net gains or losses resulting from the daily settlements are included with trading account securities gains (losses) in the Statement of Changes in Net Assets. At yearend the Systems' investments had the following future balances (expressed in millions):

		Value Covered By Contract
Long-equity futures	$	51.470
Short-equity futures	$	(34.557)
Long-fixed income futures	$	80.071
Short-fixed income futures	$	(21.271)

Currency forwards represent forward foreign exchange contracts that are entered into in order to hedge the exposure to changes in foreign currency exchange rates on the foreign currency dominated portfolio holdings. A forward foreign exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. The gain or loss arising from the difference between the original contracts and the closing of such contracts is included in net realized gains or losses on foreign currency related transactions. At yearend the Systems' investments included the following currency forwards balances (expressed in millions):

Currency forwards (*pending foreign exchange purchases)*	$	827.573
Currency forwards (*pending foreign exchange sales)*	$	(832.652)

The Utah Housing Corporation enters into various rate swap contracts as part of its overall funding strategy. The objective of these financial instruments is to increase the volume of funding available to purchase qualified homes under the Corporation's low to moderate-income programs. The Corporation's ability to keep its Single-Family program active without lags in funding is critical to its success. The federally imposed volume cap on tax-exempt bond issuances is inadequate to provide the resources currently demanded by these programs. To meet these demands and increase its funding capabilities, the Corporation sells variable rate bonds. Floating-to-fixed interest rate swap contracts allows the Corporation to manage the inherent interest rate risk associated with variable rate debt. The amount of these contracts at June 30, 2002, is $253.4 million.

NOTE 4. INVESTMENT POOL

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF) investment pool. The PTIF is available for investment of funds administered by any Utah public treasurer. Participation is not required and no minimum balance or minimum/maximum transaction is required. State agencies and funds that are authorized to earn interest also invest in the PTIF as an internal investment pool. No separate report as an external investment pool has been issued for the PTIF.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51–7, *Utah Code Annotated, 1953,* as amended. The Act establishes the Money Management Council which oversees the activities of the State Treasurer and the PTIF. The Act details the investments that are authorized which are high-grade securities and, therefore, there is very little credit risk except in the most unusual and unforeseen circumstances. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated to participants on the ratio of the participant's share to the total funds in the PTIF based on the participant's average daily balance. The PTIF allocates income and issues statements on a monthly basis. Twice a year, at June 30 and December 31, which are the accounting periods for public entities, the investments are valued at fair value and participants are informed of the fair value valuation factor that enables them to adjust their statement balances to fair value.

The PTIF condensed financial statements, inclusive of external and internal participants for the fiscal year ended June 30, 2002, are as follows:

Public Treasurer's Investment Fund
Statement of Net Assets
June 30, 2002
(*Expressed in Thousands*)

Assets	
Cash and Cash Equivalents	$ 379,478
Investments	4,846,715
Interest Receivable	17,656
Net Assets	$ 5,243,849
Net Assets Consist of:	
External Participant Account Balances	$ 3,237,979
Internal Participant Account Balances:	
Primary Government	1,622,588
Component Units	380,296
Undistributed Reserves and Unrealized Gains/Losses	2,986
Net Assets	$ 5,243,849
Participant Account Balance Net Asset Valuation Factor	.997257

Public Treasurer's Investment Fund
Statement of Changes in Net Assets
For the Fiscal Year Ended June 30, 2002
(*Expressed in Thousands*)

Additions	
Pool Participant Deposits	$ 7,727,760
Investment Income:	
Investment Earnings	152,366
Fair Value Increases (Decreases)	(14,729)
Total Investment Income	137,637
Less Administrative Expenses	130
Net Investment Income	137,507
Total Additions	7,865,267
Deductions	
Pool Participant Withdrawals	7,259,392
Earnings Distributions	145,614
Total Deductions	7,405,006
Net Increase From Operations	460,261
Net Assets	
Beginning of Year	4,783,588
Net Assets – End of Year	$ 5,243,849

Deposits and Investments

The following disclosure of deposits and investments is for the Public Treasurer's Investment Fund, which includes external and internal participants. These assets are also included in Note 3, disclosure of deposits and investments for the state entity as a whole. Information on the type of deposits and investments and how they are held is disclosed in Note 3. At June 30, 2002, the PTIF investments included certificates of deposit of $159.3 million that qualify as deposits. Of this amount, $900 thousand was covered by the Federal Deposit Insurance Corporation (FDIC) and $158.4 million was uninsured and uncollateralized and was held by various financial institutions. The following schedule provides information about the credit and market risks associated with the State's investments. Category 1 includes investments that are insured or registered, or for which the securities are held by the State or its agent in the State's name.

Public Treasurer's Investment Fund
Credit and Market Risks of Investments
June 30, 2002
(*Expressed in Thousands*)

	Category 1	Fair Value
Money Market Funds	$ 344,978	$ 344,978
U.S. Government Securities	796,065	796,065
Corporate Bonds and Notes	3,925,850	3,925,850
Total Investments	$ 5,066,893	$ 5,066,893

Public Treasurer's Investment Fund Portfolio Statistics:

June 30, 2002

	Range of Yields	Weighted Average Maturity
Money Market Funds	1.80% – 2.70%	1 day
Certificates of Deposit	2% – 2.75%	19.75 days
U.S. Government Securities	1.70% – 4.125%	202.47 days
Corporate Bonds and Notes	1.84% – 4.05 %	39.60 days

June 30, 2002

	Weighted Average Yield	Average Adjusted Maturity
Total Investment Fund	2.34%	60.83 days

NOTE 5. RECEIVABLES

Receivables as of June 30, 2002, consisted of the following (in thousands):

	Accounts Receivable					
	Federal	**Customer**	**Other**	**Interest**	**Taxes**	**Notes/ Mortgages**
Governmental Activities:						
General Fund	$ 203,679	$ 175,516	$ 25,578	$ 16	$ 272,754	$ 6,379
Uniform School Fund	25,583	—	271	—	363,520	6,128
Transportation Fund	69,961	—	8,534	—	58,596	421
Centennial Highway Fund	1,490	—	—	—	777	—
Trust Lands	—	—	11,919	638	—	8,891
Nonmajor Funds	—	27,923	7	16	—	539
Internal Service Funds	—	18,318	—	775	—	—
Fiduciary Funds	—	—	2,338	—	—	—
Total Receivables	300,713	221,757	48,647	1,445	695,647	22,358
Less Allowance for Uncollectibles						
General Fund	—	(52,820)	—	—	(15,455)	(112)
Uniform School Fund	—	—	—	—	(98,439)	—
Transportation Fund	—	—	(200)	—	(637)	—
Centennial Highway Fund	—	—	—	—	(51)	—
Internal Service Funds	—	(129)	—	—	—	—
Receivables, net	$ 300,713	$ 168,808	$ 48,447	$ 1,445	$ 581,065	$ 22,246
Current Receivables	$ 300,713	$ 118,128	$ 47,281	$ 1,445	$ 539,473	$ 3,779
Noncurrent Receivables	—	50,680	1,166	—	41,592	18,647
Total Receivables (net)	$ 300,713	$ 168,808	$ 48,447	$ 1,445	$ 581,065	$ 22,246
Business-type Activities:						
Student Assistance Programs	$ 10,212	$ 1,733	$ —	$ 23,991	$ —	$ 1,036,555
Unemployment Compensation Fund	1,439	35,639	—	—	—	—
Water Loan Programs	—	—	112	7,778	2,669	424,820
Nonmajor Funds	—	5,914	1,200	3,252	—	227,475
Total Receivables	11,651	43,286	1,312	35,021	2,669	1,688,850
Less Allowance for Uncollectibles						
Student Assistance Programs	—	—	—	—	—	(3,487)
Unemployment Compensation	—	(10,335)	—	—	—	—
Water Loan Programs	—	—	—	—	(94)	—
Receivables, net	$ 11,651	$ 32,951	$ 1,312	$ 35,021	$ 2,575	$ 1,685,363

Accounts receivable balances are an aggregation of amounts due from the federal government, customers and others. Receivables from customers include charges for services to local governments, fees and fines issued by the courts and corrections, employer contributions for unemployment benefits, and receivables as a result of overpayments to individuals receiving state assistance.

Receivables for fiduciary funds listed above represent amounts due from fiduciary funds which were reclassified as external receivables on the government-wide Statement of Net Assets.

Aggregated receivables for component units at June 30, 2002, were $1.276 billion for major component units and $53.186 million for nonmajor component units, net of an allowance for doubtful accounts of $44.609 million and $812 thousand, respectively.

NOTE 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2002, consisted of the following (in thousands):

	Salaries/ Benefits	Service Providers	Vendors/ Other	Government	Tax Refunds	Interest	Total
Governmental Activities:							
General Fund	$ 52,519	$ 109,123	$ 36,189	$ 78,548	$ 5,803	$ —	$ 282,182
Uniform School Fund	3,094	2,854	3,646	19,769	49,019	—	78,382
Transportation Fund	6,488	122	67,786	31,904	893	—	107,193
Centennial Highway Fund	—	—	273	—	—	—	273
Nonmajor Funds	32	—	15,103	—	—	27,453	42,588
Internal Service Funds	7,217	—	8,572	1,834	—	6	17,629
Adjustments:							
Fiduciary Funds	—	—	—	4,657	—	—	4,657
Other	—	—	—	—	—	1,664	1,664
Total Governmental Activities	$ 69,350	$ 112,099	$ 131,569	$ 136,712	$ 55,715	$ 29,123	$ 534,568
Business-type Activities:							
Student Assistance Programs	$ 1,770	$ —	$ 6,908	$ 17,343	$ —	$ 3,394	$ 29,415
Unemployment Compensation Fund	—	529	188	—	—	—	717
Water Loan Programs	—	—	331	—	—	39	370
Nonmajor Funds	1,281	—	7,520	1,165	—	139	10,105
Adjustments:							
Fiduciary Funds	—	—	—	13	—	—	13
Other	—	—	—	—	—	(12)	(12)
Total Business-type Activities	$ 3,051	$ 529	$ 14,947	$ 18,521	$ 0	$ 3,560	$ 40,608

Accounts payable and accrued liability balances are an aggregration of amounts due to: 1) state employees for salaries/benefits; 2) service providers for childcare, job services and health services; 3) vendors and miscellaneous suppliers; 4) local and federal governments for services; 5) individuals and others as a result of tax overpayments; and 6) interest due on bonds and other obligations.

Adjustments for fiduciary funds listed above represent amounts due to fiduciary funds which were reclassified as external payables on the government-wide Statement of Net Assets. Other adjustments are due to differences in the presentation and the basis of accounting between the fund financial statements and the government-wide Statement of Net Assets.

NOTE 7. INTERFUND BALANCES AND LOANS

Interfund Balances

Interfund balances at June 30, 2002, consisted of the following (in thousands):

Due to General Fund from:	
Uniform School Fund	$ 3,066
Transportation Fund	1,084
Nonmajor Governmental Funds	1,011
Unemployment Compensation Fund	1,302
Water Loan Programs	43
Nonmajor Enterprise Funds	9,833
Internal Service Funds	2,678
Fiduciary Funds	2,136
Total due to General Fund from other funds	$ 21,153
Due to Uniform School Fund from:	
General Fund	431
Nonmajor Governmental Funds	9
Unemployment Compensation Fund	687
Nonmajor Enterprise Funds	1,029
Internal Service Funds	31
Total due to Uniform School Fund from other funds	$ 2,187
Due to Transportation Fund from:	
General Fund	21
Uniform School Fund	2
Centennial Highway Fund	26,416
Nonmajor Governmental Funds	3
Nonmajor Enterprise Funds	8
Internal Service Funds	103
Fiduciary Funds	200
Total due to Transportation Fund from other funds	$ 26,753
Due to Centennial Highway Fund from Transportation Fund	$ 1,473
Due to Trust Lands from Nonmajor Enterprise Funds	$ 2,712
Due to Nonmajor Governmental Funds from:	
General Fund	2,401
Transportation Fund	36
Nonmajor Governmental Funds	97
Nonmajor Enterprise Funds	12
Internal Service Funds	61
Total due to Nonmajor Governmental Funds from other funds	$ 2,607
Due to Water Loan Programs from:	
General Fund	259
Nonmajor Governmental Funds	132
Nonmajor Enterprise Funds	25
Total due to Water Loan Programs from other funds	$ 416
Due to Nonmajor Enterprise Funds from:	
General Fund	877
Uniform School Fund	16
Transportation Fund	139
Nonmajor Governmental Funds	11,055
Internal Service Funds	41
Total due to Nonmajor Enterprise Funds from other funds	$ 12,128
Due to Internal Service Funds from:	
General Fund	9,306
Uniform School Fund	250
Transportation Fund	2,116
Nonmajor Governmental Funds	620
Nonmajor Enterprise Funds	157
Internal Service Funds	216
Fiduciary Funds	2
Total due to Internal Service Funds from other funds	$ 12,667
Due to Fiduciary Funds from:	
General Fund	207
Transportation Fund	4,412
Nonmajor Governmental Funds	30
Trust Lands	7
Water Loan Programs	11
Nonmajor Enterprise Funds	2
Internal Service Funds	1
Total due to Fiduciary Funds from other funds	$ 4,670
Total Due to/Due froms	$ 86,766

These balances resulted from the time lags between the dates that: 1) interfund goods and services are provided or reimbursable expenditures occur; 2) transactions are recorded in the accounting system; and 3) payments between funds are made.

Interfund Loans

Interfund loans at June 30, 2002, consisted of the following (in thousands):

Payable to General Fund from Internal Service Funds	$ 44,638
Payable to Internal Service Funds from Centennial Highway Fund	2,478
Payable to Nonmajor Enterprise Funds from Internal Service Funds	80
Total Interfund Loans Receivable/Payable	$ 47,196

The interfund loans receivable/payable balances consist of revolving loans with Internal Service Funds. The balance of $47.196 million includes $21.985 million which is not expected to be repaid within one year.

NOTE 8. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2002, was as follows (in thousands):

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets not being Depreciated:				
Land and Related Assets	$ 561,173	$ 46,459	$ (367)	$ 607,265
Infrastructure	7,186,028	161,546	(1,318)	7,346,256
Construction-In-Progress	234,170	290,044	(264,303)	259,911
Total Capital Assets not being Depreciated	7,981,371	498,049	(265,988)	8,213,432
Capital Assets being Depreciated:				
Buildings and Improvements	895,659	22,578	(2,714)	915,523
Infrastructure	9,386	2,187	(5)	11,568
Machinery and Equipment	434,075	44,766	(44,669)	434,172
Total Capital Assets being Depreciated	1,339,120	69,531	(47,388)	1,361,263
Less Accumulated Depreciation for:				
Buildings and Improvements	(260,684)	(24,847)	2,120	(283,411)
Infrastructure	(2,992)	(373)	—	(3,365)
Machinery and Equipment	(262,603)	(43,220)	39,068	(266,755)
Total Accumulated Depreciation	(526,279)	(68,440)	41,188	(553,531)
Total Capital Assets being Depreciated, Net	812,841	1,091	6,200	807,732
Governmental Activity Capital Assets, Net	$ 8,794,212	$ 499,140	$(272,188)	$ 9,021,164
Business-type Activities:				
Capital Assets not being Depreciated:				
Land and Related Assets	$ 10,352	$ 2,359	$ (516)	$ 12,195
Construction-In-Progress	300	880	(27)	1,153
Total Capital Assets not being Depreciated	10,652	3,239	(543)	13,348
Capital Assets being Depreciated:				
Buildings and Improvements	22,564	8,067	(48)	30,583
Machinery and Equipment	10,981	928	(925)	10,984
Total Capital Assets being Depreciated	33,545	8,995	(973)	41,567
Less Accumulated Depreciation for:				
Buildings and Improvements	(4,277)	(661)	44	(4,894)
Machinery and Equipment	(6,931)	(1,616)	599	(7,948)
Total Accumulated Depreciation	(11,208)	(2,277)	643	(12,842)
Total Capital Assets being Depreciated, Net	22,337	6,718	(330)	28,725
Business-type Activity Capital Assets, Net	$ 32,989	$ 9,957	$ (873)	$ 42,073

Construction-in-progress of governmental activities includes amounts for buildings the State is constructing for colleges and universities (component units) that are funded by state appropriations or state bond proceeds. As the buildings are completed, the applicable amounts are deleted from construction-in-progress of governmental activities and "transferred" to the colleges and universities. For fiscal year 2002, $78.53 million of buildings were completed for colleges and universities. On the government-wide statement of activities, the building "transfers" are reported as higher education expenses of governmental activities and as program revenues of component units.

Depreciation expense of governmental activities was charged to functions as follows (in thousands):

General Government	$ 8,101
Human Services and Youth Corrections	4,397
Corrections, Adult	5,911
Public Safety	2,748
Courts	4,571
Health and Environmental Quality	2,139
Higher Education	1
Employment and Family Services	1,947
Natural Resources	4,978
Community and Economic Development	494
Business, Labor, and Agriculture	1,212
Public Education	947
Transportation	10,869
Depreciation on capital assets of the State's internal service funds is charged to the various functions based on their usage of the assets	20,125
Total	$ 68,440

Discretely Presented Component Units

The following table summarizes net capital assets reported by the discretely presented component units (in thousands):

	Utah Housing Corporation	University of Utah	Utah State University	Nonmajor Component Units	Total
Capital Assets not being Depreciated:					
Land and Related Assets	$ 250	$ 17,267	$ 9,622	$ 54,395	$ 81,534
Construction-In-Progress	—	134,054	14,355	18,635	167,044
Total Capital Assets not being Depreciated	250	151,321	23,977	73,030	248,578
Capital Assets being Depreciated:					
Building and Improvements	1,302	952,392	316,437	761,001	2,031,132
Infrastructure	—	93,408	32,826	41,461	167,695
Machinery and Equipment	1,055	554,149	143,741	146,439	845,384
Total Capital Assets being Depreciated	2,357	1,599,949	493,004	948,901	3,044,211
Less Total Accumulated Depreciation	(1,370)	(723,459)	(209,936)	(338,256)	(1,273,021)
Total Capital Assets being Depreciated, Net	987	876,490	283,068	610,645	1,771,190
Discretely Presented Component Units – Capital Assets, Net	$ 1,237	$ 1,027,811	$ 307,045	$ 683,675	$ 2,019,768

The State had long-term construction project commitments totaling $164.301 million at June 30, 2002. The following construction projects have remaining commitments and represent reservations of fund balance in the Capital Projects Fund (a nonmajor governmental fund):

Capital Projects Fund
Construction Project Commitments
(Expressed in Thousands)

Project	Description	Remaining Construction Commitment
01020	Four Campus Classroom Project	$ 49,513
01074	New Legislative Buildings	38,911
00253	Snow College – Performing Arts Building	14,021
98239	State Hospital – Rampton Building Phase II	9,745
99219	USU – Edith Bowen School Renovation/Expansion	9,138
01084	Soldier Hollow Golf Course	7,722
01007	ABC – Warehouse Expansion	7,208
00017	Courts – New Logan Facility	6,778
97097	State Capitol Remodel Planning/Design	2,025
01105	Dixie College – Gardner Center Food Services Addition	1,618
01026	USU – Natural Resources Building II Renovation	1,181
—	All Others	16,441
	Total Commitments	$ 164,301

NOTE 9. LEASE COMMITMENTS

The State leases office buildings and office and computer equipment. Although the lease terms vary, most leases are subject to annual appropriations from the State Legislature to continue the lease obligations. If an appropriation is reasonably assured, leases are considered noncancellable for financial reporting purposes.

Leases that in substance are purchases are reported as capital lease obligations. In the government-wide financial statements and proprietary fund financial statements, assets and liabilities resulting from capital leases are recorded at the inception of the lease at either the lower of fair value or the present value of the future minimum lease payments. The principal portion of lease payments reduces the liability, and the interest portion is expensed.

On the governmental fund financial statements, both the principal and interest portions of capital lease payments are recorded as expenditures of the applicable governmental function.

The primary government's capital lease payments were $1.148 million in principal and $1.205 million in interest for fiscal year 2002. The historical cost and accumulated depreciation of the primary government's assets acquired through capital leases were $22.8 million and $5.6 million, respectively, as of June 30, 2002.

Operating leases contain various renewal options, as well as some purchase options. However, due to the nature of the leases, they do not qualify as capital leases and the related assets and liabilities are not recorded. Any escalation clauses, sublease rentals, and contingent rents were considered immaterial to the future minimum lease payments and current rental expenditures. Operating lease payments are recorded as expenditures or expenses when paid or incurred.

Operating lease expenditures for fiscal year 2002 were $31.163 million for the primary government and $17.609 million for component units. For fiscal year 2001, the operating lease expenditures were $26.335 million for the primary government and $13.330 million for component units. Future minimum lease commitments for noncancellable operating leases and capital leases as of June 30, 2002, were as follows:

Future Minimum Lease Commitments
(Expressed in Thousands)

	Operating Leases			Capital Leases			
				Primary Government			
Fiscal Year	Primary Government	Component Units	Total	Governmental Activities	Business-type Activities	Component Units	Total
2003	$ 17,827	$ 15,829	$ 33,656	$ 2,365	$ 83	$ 15,797	$ 18,245
2004	15,348	13,854	29,202	2,358	20	14,335	16,713
2005	11,036	12,021	23,057	2,365	—	9,873	12,238
2006	8,690	10,588	19,278	2,361	—	6,803	9,164
2007	4,749	8,697	13,446	2,280	—	4,733	7,013
2008–2012	5,848	26,145	31,993	6,537	—	46,889	53,426
2013–2017	1,786	4,810	6,596	2,365	—	1,256	3,621
2018–2022	338	199	537	1,024	—	—	1,024
2023–2027	160	156	316	611	—	—	611
2028–2032	—	45	45	—	—	—	—
Total Future Minimum Lease Payments	$ 65,782	$ 92,344	$ 158,126	22,266	103	99,686	122,055
Less Amounts Representing Interest				(7,240)	(7)	(22,299)	(29,546)
Present Value of Future Minimum Lease Payments				$ 15,026	$ 96	$ 77,387	$ 92,509

NOTE 10. LONG-TERM LIABILITIES

A. Changes in Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2002, are presented in the following schedule. As referenced below, certain long-term liabilities are discussed in other Notes to the Financial Statements.

Long-term Liabilities
(Expressed in Thousands)

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds	$ 1,146,000	$ 629,200	$ (300,800)	$ 1,474,400	$ 97,550
State Building Ownership Authority Lease Revenue Bonds	238,278	115,633	(11,533)	342,378	12,143
Net Unamortized Premiums/(Discounts)	—	29,153	(1,511)	27,642	—
Capital Leases (Note 9)	16,174	—	(1,148)	15,026	1,193
Compensated Absences (Notes 1 and 18)	127,142	59,633	(51,234)	135,541	56,585
Postemployment Benefits (Note 18)	179,801	44,386	(10,554)	213,633	10,544
Claims (Note 19)	118,726	309,131	(301,148)	126,709	50,891
Arbitrage Liability (Note 1)	854	7	(762)	99	—
Total Governmental Long-term Liabilities	$ 1,826,975	$ 1,187,143	$ (678,690)	$ 2,335,428	$ 228,906
Business-type Activities					
Revenue Bonds	$ 1,041,180	$ 202,360	$ (12,080)	$ 1,231,460	$ 37,605
State Building Ownership Authority Lease Revenue Bonds	11,800	11,540	(482)	22,858	517
Net Unamortized Premiums/(Discounts)	(11)	293	(13)	269	—
Capital Leases (Note 9)	168	—	(72)	96	83
Arbitrage Liability (Note 1)	31,850	5,689	(709)	36,830	12
Total Business-type Long-term Liabilities	$ 1,084,987	$ 219,882	$ (13,356)	$ 1,291,513	$ 38,217
Component Units					
Revenue Bonds	$ 1,453,935	$ 332,706	$ (212,034)	$ 1,574,607	$ 121,812
Net Unamortized Premiums/(Discounts)	(90)	193	(11)	92	—
Capital Leases/Contracts Payable (Notes 9 and 10)	87,373	24,481	(30,934)	80,920	12,059
Notes Payable	23,339	5,990	(3,786)	25,543	7,248
Leave/Postemployment Benefits (Notes 1 and 18)	56,733	25,661	(15,672)	66,722	18,275
Total Component Unit Long-term Liabilities	$ 1,621,290	$ 389,031	$ (262,437)	$ 1,747,884	$ 159,394

Compensated absences and postemployment benefits liabilities of governmental activities are liquidated in the General Fund, Uniform School Fund, or Transportation Fund according to the applicable employing state agency. Claims liabilities of governmental activities are liquidated in the applicable internal service fund.

B. General Obligation Bonds

The State issues general obligation bonds to provide funds for acquisition, construction, and renovation of major capital facilities, highways, and water management for governmental activities. In addition, general obligation bonds have been issued to refund general obligation bonds, revenue bonds, and capitalized leases. General obligation bonds are secured by the full faith and credit of the State. Debt service requirements are provided by legislative appropriation from the State's general tax revenues. As of June 30, 2002, the State had $85.25 million and $56 million of authorized but unissued general obligation building and highway bond authorizations remaining, respectively.

During fiscal year 2002 the State issued $348 million Series 2001 B general obligation bonds. The proceeds were used to refund $208 million of variable rate bonds, provide funds for certain highway projects, and various other construction projects. The State also issued $281.2 million Series 2002 A general obligation bonds. The proceeds were used for various state building and highway projects.

During fiscal year 2002, the State's average interest rate for the Series 1999 A & C variable rate bonds was 1.61 percent, there is no stated minimum rate, but the maximum rate is 10 percent. The rate on the bonds is reset weekly by the remarketing agent and fluctuates with the general changes in interest rates and the demand for these particular securities. In the general obligation bond debt service requirements to maturity schedule, the interest rate used to project debt service requirements was 1.15 percent, which was the rate in effect at yearend.

General Obligation Bonds Payable consist of the following:

General Obligation Bonds Payable
(Expressed in Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2002
1996 Capital Facility Issue	07/01/96	2002	5.00%	$ 20,000	$ 20,000
1997 ABCDE Highway/Capital Facility Issue	07/01/97	2001–2012	4.80% to 5.50%	$ 200,000	191,750
1997 F Highway Issue	08/01/97	2001–2012	5.00% to 5.50%	$ 205,000	192,375
1998 A Highway/Capital Facility Issue	07/07/98	2001–2012	5.0%	$ 265,000	238,075
1999 A & C Highway Issue	05/20/99	2012–2013	variable	$ 358,000	150,000
1999 E Capital Facility Issue	07/01/99	2004	4.50%	$ 38,000	38,000
2001 A Capital Facility Issue	01/24/01	2004	4.0%	$ 15,000	15,000
2001 B Highway/Capital Facility Issue	07/02/01	2004-2014	4.50%	$ 348,000	348,000
2002 A Highway/Capital Facility Issue	06/27/02	2003-2015	3.00% to 5.25%	$ 281,200	281,200
Total General Obligation Bonds Outstanding					1,474,400
Plus Unamortized Premium					23,971
Total General Obligation Bonds Payable					$ 1,498,371

General Obligation Bond Issues
Debt Service Requirements to Maturity
For Fiscal Years Ended June 30
(Expressed in Thousands)

Fiscal Year	Principal					
	1996 Capital Facility	1997 A–E Highway/ Capital Facility	1997 F Highway Bonds	1998 A Highway/ Capital Facility	1999 A&C Highway Bonds	1999 E Capital Facility
2003	$ 20,000	$ 33,700	$ 13,325	$ 30,525	$ —	$ —
2004	—	49,175	14,075	38,150	—	—
2005	—	9,675	14,825	14,975	—	38,000
2006	—	10,200	15,625	15,850	—	—
2007	—	10,775	16,475	16,775	—	—
2008–2012	—	63,325	95,925	98,800	—	—
2013–2017	—	14,900	22,125	23,000	150,000	—
Total	$ 20,000	$ 191,750	$ 192,375	$ 238,075	$ 150,000	$ 38,000

Continues Below

Fiscal Year	Principal					
	2001 A Capital Facility	2001 B Highway/ Capital Facility	2002 A Highway/ Capital Facility	Total Principal Required	Interest Required	Total Amount Required
2003	$ —	$ —	$ —	$ 97,550	$ 61,599	$ 159,149
2004	—	—	14,160	115,560	55,859	171,419
2005	15,000	41,425	4,850	138,750	49,443	188,193
2006	—	34,900	45,740	122,315	43,373	165,688
2007	—	33,250	48,075	125,350	37,135	162,485
2008–2012	—	188,800	74,175	521,025	107,390	628,415
2013–2017	—	49,625	94,200	353,850	16,055	369,905
Total	$ 15,000	$ 348,000	$ 281,200	$ 1,474,400	$ 370,854	$ 1,845,254

C. **Revenue Bonds**

Revenue bonds payable consist of those issued by the Utah State Building Ownership Authority, the Utah State Board of Regents Student Loan Purchase Program, the State's Water Loan Programs, the Utah Housing Corporation, and the various colleges and universities. These bonds are not considered general obligations of the State.

Governmental Activities

The Utah State Building Ownership Authority (SBOA) has issued bonds for the purchase and construction of facilities to be leased to state agencies. The bonds are secured by the facilities, and repayment is made from lease income. The outstanding bonds payable at June 30, 2002, are reported as a long-term liability of the governmental activities, except for $21.844 million and $1.235 million which are reported in Alcoholic Beverage Control Fund, and Utah Correctional Industries Fund (nonmajor enterprise funds), respectively. These portions are reported as liabilities of the business-type activities on the government-wide statement of net assets.

During fiscal year 2002, the average interest rate for the SBOA Series 2001 C variable rate bonds was 1.35 percent (based on an annualized rate from the bonds issuance), there is no stated minimum rate, but the maximum rate is 12 percent. The rate on the bond is reset weekly by the remarketing agent and fluctuates with the general changes in interest rates and the demand for these particular securities. In the applicable debt service requirements to maturity schedule, the interest rate used to project debt service requirements was 1.15 percent, which was the rate in effect at yearend.

Business-type Activities

The Utah State Board of Regents Student Loan Purchase Program bonds were issued to provide funds for student loans and are secured by all assets of the Board of Regents Revenue Bond Fund and by the revenues and receipts derived from such assets. The Board of Regents has also issued a revenue bond for an office facility secured by funds within the Board of Regents budget, that would otherwise be expended for rent.

The Student Assistance Programs have $240.555 million of bonds bearing interest at an adjustable rate, which is determined weekly by a remarketing agent. The Programs also have adjustable rate bonds which are set by an auction procedure every 28 days in the amount of $312.1 million and $537.6 million of bonds which are auctioned every 35 days.

The State's water loan programs have issued revolving loan recapitalization program bonds to provide capital for the State's revolving loan programs, and subsequently has refunded one of the bonds. The bonds are secured by and repayment is made from the collection of the revolving loan programs' notes receivables.

Discrete Component Units

The Utah Housing Corporation bonds were issued to provide sources of capital for making housing loans to persons of low or moderate income. The bonds are secured by mortgages, and repayments are made from the mortgage payments.

The colleges and universities issue bonds for various purposes, including student housing, special events centers, and student union centers. The bonds are secured by the related assets, student building fees, and other income of certain college activities.

Revenue bonds payable consist of the following:

Revenue Bonds Payable – Component Units
(Expressed in Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2002
Utah Housing Corporation Issues	1986–2002	2002–2044	2.55% to 10.55%	$ 2,469,052	$ 1,227,422
Colleges and Universities Revenue Bonds	1987–2002	2003–2031	2.5% to 8.49%	$ 451,365	347,185
Total Revenue Bonds Outstanding					1,574,607
Colleges and Universities Add Unamortized Premiums/Discounts					92
Total Revenue Bonds Payable					$ 1,574,699

Revenue Bonds Payable – Primary Government
(Expressed in Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2002
Governmental Activities					
SBOA Lease Revenue Bonds:					
Series 1992 A	07/15/92	1993–2011	5.30% to 5.75%	$ 26,200	$ 17,095
Series 1992 B	07/15/92	1994–2011	4.0% to 6.0%	$ 1,380	930
Series 1993 A	12/01/93	1995–2013	4.5% to 5.25%	$ 6,230	4,265
Series 1993 B	12/01/93	1995–2014	4.5% to 5.25%	$ 8,160	5,790
Series 1994 A	09/01/94	1995–2018	5.0% to 6.25%	$ 27,465	4,935
Series 1995 A	07/01/95	1996–2018	5.0% to 5.75%	$ 92,260	18,715
Series 1996 A	07/01/96	1997–2019	5.5% to 6.0%	$ 42,895	8,705
Series 1996 B	11/01/96	1999–2013	5.0% to 5.4%	$ 16,875	13,495
Series 1998 A	07/01/98	1999–2020	3.75% to 5.25%	$ 24,885	18,210
Series 1998 B Capital Appreciation	07/22/98	2005	4.65%	$ 23,091	27,676
Series 1998 C	08/15/98	2000–2019	3.8% to 5.5%	$ 101,557	101,422
Series 1999 A	08/01/99	2001–2021	5.25% to 5.50%	$ 6,960	6,770
Series 2001 A	11/21/01	2005-2021	4.00% to 5.00%	$ 69,850	69,850
Series 2001 B	11/21/01	2002-2024	3.00% to 5.75%	$ 14,240	14,220
Series 2001 C	11/21/01	2005-2021	variable	$ 30,300	30,300
Total Lease Revenue Bonds Outstanding					342,378
Unamortized Bond Premium					3,671
Total Lease Revenue Bonds Payable					$ 346,049
Business-type Activities					
Student Assistance Programs:					
Series 1988 and 1993 Board of Regents Student Loan Indentures	1988-2002	1998-2041	Variable and 4.45% to 6.7%	$1,250,750	$ 1,219,230
Office Facility Bond Fund	02/01/02	2003-2022	3.5% to 5.125%	$ 8,095	8,095
Total Revenue Bonds Outstanding					1,227,325
Unamortized Bond Premium					48
Total Revenue Bonds Payable					$ 1,227,373
Water Loan Programs:					
Series 1992 A Revolving Loan Recapitalization Program	04/15/92	1993-2004	4.00% to 6.6%	$ 5,065	$ 1,115
Series 1995 Water Refunding	10/04/95	1996-2005	5.125%	$ 8,430	3,020
Total Revenue Bonds Payable					$ 4,135
SBOA Lease Revenue Bonds:					
Series 1994 A	09/01/94	1995-2014	5.0% to 6.25%	$ 3,450	$ 475
Series 1995 A	07/01/95	1996–2015	5.0% to 5.7%	$ 740	170
Series 1996 A	07/01/96	1998–2017	5.5% to 6.0%	$ 1,830	380
Series 1997 A	12/01/97	1999–2018	4.6% to 5.125%	$ 4,150	3,665
Series 1998 A	07/01/98	1999–2020	3.75% to 5.25%	$ 825	725
Series 1998 C	08/15/98	2000–2019	3.80% to 5.50%	$ 3,543	3,538
Series 1999 A	08/01/99	2001–2020	5.25% to 5.50%	$ 2,495	2,365
Series 2001 B	11/21/01	2004–2023	3.25% to 5.25%	$ 11,540	11,540
Total Lease Revenue Bonds Outstanding					22,858
Unamortized Bond Premium					221
Total Lease Revenue Bonds Payable					$ 23,079
Total Business-type Lease Revenue/ Revenue Bonds Payable					$ 1,254,587

Revenue Bond Issues – Primary Government
Debt Service Requirements to Maturity
For Fiscal Years Ended June 30
(Expressed in Thousands)

	Principal							
Fiscal Year	**Student Assistance Programs**	**1992 A Revolving Loan Recap Program**	**1992 A Utah State Building Ownership Authority**	**1992 B Utah State Building Ownership Authority**	**1993 A Utah State Building Ownership Authority**	**1993 B Utah State Building Ownership Authority**	**1994 A Utah State Building Ownership Authority**	**1995 A Utah State Building Ownership Authority**
2003	$ 36,110	$ 540	$ 1,310	$ 70	$ 300	$ 360	$ 1,710	$ 3,450
2004	4,575	575	1,380	75	315	380	1,805	3,575
2005	8,275	—	1,460	80	330	395	1,895	3,760
2006	23,295	—	1,545	85	345	415	—	3,945
2007	5,530	—	1,640	90	360	440	—	4,155
2008–2012	108,745	—	9,760	530	2,120	2,565	—	—
2013–2017	36,175	—	—	—	495	1,235	—	—
2018–2022	6,365	—	—	—	—	—	—	—
2023–2027	135,000	—	—	—	—	—	—	—
2028–2032	181,055	—	—	—	—	—	—	—
2033–2037	370,100	—	—	—	—	—	—	—
2038–2042	312,100	—	—	—	—	—	—	—
Total	$1,227,325	$ 1,115	$ 17,095	$ 930	$ 4,265	$ 5,790	$ 5,410	$ 18,885

Continues Below

	Principal							
Fiscal Year	**1995 Water Refunding**	**1996 A Utah State Building Ownership Authority**	**1996 B Utah State Building Ownership Authority**	**1997 A Utah State Building Ownership Authority**	**1998 A Utah State Building Ownership Authority**	**1998 B Utah State Building Ownership Authority**	**1998 C Utah State Building Ownership Authority**	**1999A Utah State Building Ownership Authority**
2003	$ 955	$ 1,630	$ 945	$ 155	$ 2,370	$ —	$ 50	$ 300
2004	1,005	1,720	995	160	2,485	—	50	310
2005	1,060	1,820	1,040	170	2,615	27,676	55	330
2006	—	1,905	1,095	180	705	—	1,120	345
2007	—	2,010	1,150	190	735	—	1,170	365
2008–2012	—	—	6,705	1,085	4,225	—	42,480	2,130
2013–2017	—	—	1,565	1,400	5,385	—	48,825	2,765
2018–2022	—	—	—	325	415	—	11,210	2,590
2023–2027	—	—	—	—	—	—	—	—
2028–2032	—	—	—	—	—	—	—	—
2033–2037	—	—	—	—	—	—	—	—
2038–2042	—	—	—	—	—	—	—	—
Total	$ 3,020	$ 9,085	$ 13,495	$ 3,665	$ 18,935	$ 27,676	$ 104,960	$ 9,135

Continues Below

Revenue Bond Issues – Primary Government (continued)-
Debt Service Requirements to Maturity
For Fiscal Years Ended June 30
(Expressed in Thousands)

	Principal					
Fiscal Year	2001 A Utah State Building Ownership Authority	2001 B Utah State Building Ownership Authority	2001 C Utah State Building Ownership Authority	Total Principal Required	Interest Required	Total Amount Required
2003	$ —	$ 10	$ —	$ 50,265	$ 39,887	$ 90,152
2004	—	395	—	19,800	37,883	57,683
2005	2,000	865	2,100	55,926	40,742	96,668
2006	3,175	895	1,100	40,150	35,519	75,669
2007	3,125	935	1,300	23,195	33,383	56,578
2008–2012	17,575	5,250	7,700	210,870	139,668	350,538
2013–2017	22,025	6,415	9,400	135,685	108,140	243,825
2018–2022	21,950	8,100	8,700	59,655	84,532	144,187
2023–2027	—	2,895	—	137,895	73,959	211,854
2028–2032	—	—	—	181,055	61,151	242,206
2033–2037	—	—	—	370,100	40,579	410,679
2038–2042	—	—	—	312,100	18,075	330,175
Total	$ 69,850	$ 25,760	$ 30,300	$ 1,596,696	$ 713,518	$ 2,310,214

Revenue Bond Issues – Component Units
Debt Service Requirements to Maturity
For Fiscal Years Ended June 30
(Expressed in Thousands)

	Principal						
Fiscal Year	Utah Housing Corporation	University of Utah	Utah State University	Nonmajor Component Units	Total Principal Required	Interest Required	Total Amount Required
2003	$ 108,543	$ 6,974	$ 2,225	$ 4,070	$ 121,812	$ 78,523	$ 200,335
2004	54,426	8,009	1,996	4,346	68,777	78,916	147,693
2005	25,347	8,659	2,101	4,635	40,742	76,968	117,710
2006	28,711	9,289	2,222	4,890	45,112	74,455	119,567
2007	31,116	9,855	1,887	4,750	47,608	72,034	119,642
2008–2012	161,114	55,320	10,089	23,421	249,944	320,277	570,221
2013–2017	157,500	53,210	5,265	13,004	228,979	253,761	482,740
2018–2022	196,606	48,180	120	6,855	251,761	186,287	438,048
2023–2027	232,666	33,771	—	3,024	269,461	112,259	381,720
2028–2032	185,513	16,104	—	2,914	204,531	40,234	244,765
2033–2037	34,545	—	—	—	34,545	6,349	40,894
2038–2042	8,820	—	—	—	8,820	2,042	10,862
2043–2047	2,515	—	—	—	2,515	149	2,664
Total	$ 1,227,422	$ 249,371	$ 25,905	$ 71,909	$ 1,574,607	$ 1,302,254	$ 2,876,861

D. **Conduit Debt Obligations**

In 1985, the State Board of Regents authorized the University of Utah to issue Variable Rate Demand Industrial Development Bonds for the University Park Hotel, a limited partnership separate from the University. The bonds are payable solely from revenues of the University Park Hotel. The bonds do not constitute a debt or pledge of the faith and credit of the University of Utah or the State and, accordingly, have not been reported in the accompanying financial statements. At June 30, 2002, $7.665 million of Variable Rate Demand Industrial Development Bonds are outstanding.

E. **Demand Bonds**

The remaining $150 million Series 1999 A and C adjustable rate bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest, on seven days notice and delivery to the State's remarketing agent. Conversely, the State has the ability to convert any or all of the Series 1999 A and C general obligation bonds into fixed rate debt, upon not fewer than 15 days notice to bondholders. The remarketing agent is paid a fee equal to .07 percent per annum of the weighted average principal amount of each series of bonds outstanding on a quarterly basis.

In the event the bonds cannot be remarketed, the State has a separate standby bond purchase agreement for the remaining $75 million of Series A and $75 million of Series C with Toronto-Dominion Bank acting through its Houston Agency. The agreement provides an amount sufficient to pay the purchase price of each of the respective series of bonds equal to the principal and up to 39 days accrued interest at a maximum rate of 10 percent per annum. The Standby Agreement also contains a takeout provision for bonds that are held by the bank upon expiration of the credit agreement that will allow the State to convert the bonds to a two-year installment loan with interest payable monthly and principal due at the end of the term. If the installment provision was in place it would cost the State $15 million in interest for both years, with principal paid at the end, assuming all of the bonds were not remarketed and based on the maximum rate. The Standby Agreement is valid through September 12, 2003.

In consideration for the Liquidity Facility, the State is charged 7.5 basis points of the principal outstanding, less any advances outstanding on a quarterly basis. The interest rate for Liquidity Advances is the Federal Funds rate plus one-half percent for the first 30 days. For advances outstanding longer than 30 days or outstanding under the installment provision, the rate charged is the greater of the Federal Funds or prime rate plus a margin dependent upon the amount of time the advance is outstanding, not to exceed 10 percent per annum. As of June 30, 2002, the State had not drawn any funds under the Standby Bond Purchase Agreement.

The State Building Ownership Authority issued $30.3 million Series 2001 C variable rate demand lease revenue bonds. The bonds are subject to purchase upon not less than seven days notice of tender from the bondholder or in case the bonds cannot be remarketed. The remarketing agent is paid a fee of 5 basis points of the bonds outstanding on a quarterly basis.

In the case that the bonds cannot be remarketed, the SBOA has a irrevocable direct pay letter of credit with Landesbank Hessen-Thuringen Girozentrale (Helaba) acting through its New York Branch in the amount of $30.828 million, which is an amount sufficient to pay principal and 53 days of accrued interest at 12 percent. In consideration for the letter of credit, Helaba receives a fee of 17.5 basis points paid on a quarterly basis. The letter of credit expires on November 21, 2004, and as of June 30, 2002, the SBOA has not had to draw any funds for bondholder tenders or a failed remarketing.

The letter of credit also has a takeout provision for bonds that allows the SBOA to pay the bonds that Helaba holds (bank bonds) over a five-year period in approximately equal payments. The rate in effect for bank bonds for the first 90 days is the base rate, which is the higher of the Federal Funds rate plus 50 basis points or the Prime Rate, up to a maximum of 12 percent per annum. The interest rate for bank bonds held longer than 90 days is the base rate plus 2 percent. If the takeout provision were in effect and assuming all the bonds were not remarketed, the SBOA would pay debt service of $8.406 million a year for five years, based on the maximum rate.

The Student Loan Purchase Program had $240.555 million of demand bonds outstanding at June 30, 2002, subject to purchase on the demand of the holder at a price equal to principal plus accrued interest, on seven days notice and delivery to the Board's remarketing agent.

In the event bonds cannot be remarketed, the Board has standby bond purchase agreements and a letter of credit agreement sufficient to pay the purchase price of bonds delivered to it. The Board pays quarterly fees to maintain the standby bond purchase agreements and letter of credit on the demand bonds.

An unused irrevocable direct-pay letter of credit expiring November 15, 2004, in the amount of $37.462 million supports the Series 1993 A bonds of $35 million. The standby bond purchase agreements include the amount of $110.677 million expiring November 15, 2005, to support Series 1988 C and 1995 L bonds of $104.5 million, and the amount of $108.42 million expiring May 16, 2005, to support the Series 1996 Q and 1997 R bonds of $101.055 million. As of June 30, 2002, the Board had not drawn any funds under the standby bond purchase agreements or the letter of credit.

The University of Utah (component unit) Series 1997 A bonds in the amount of $18.59 million currently bear interest at a weekly rate in accordance with bond provisions. When a weekly rate is in effect, the Series 1997 A bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on seven days notice and delivery to the University's tender agent. The interest requirement for the Series 1997 A Bonds is calculated using an interest rate of 3 percent, which is the rate in effect of June 30, 2002.

In the event the bonds cannot be remarketed, the tender agent is required to draw on an irrevocable letter of credit to pay the purchase price plus accrued interest on the bonds delivered to it. The letter of credit with the Bank of Nova Scotia is valid through June 30, 2005. As of June 30, 2002, the University had not drawn any funds under the letter of credit.

F. **Capital Appreciation Bonds**

On August 15, 1998, the Utah State Building Ownership Authority issued $23.091 million of 1998 Series B Capital Appreciation lease revenue bonds. The interest on the bonds is accreted and added to the bonds payable. The accretion for the year ended June 30, 2002, was $1.243 million, and at June 30, 2002, the total capital appreciation bonds payable including accreted interest was $27.676 million.

G. Defeased Bonds and Bond Refunding

The State issued on July 2, 2001, General Obligation Bond Series 2001 B to refund $208 million of its Series 1999 A, B, C, and D variable rate debt to lock in a fixed long-term rate. The variable rate debt was repaid on a bond interest payment date resulting in a current refunding. The variable rate debt had no minimum interest rate, but had a maximum interest rate of 10 percent; the refunding bonds have an effective interest rate of 4.18 percent. Because the refunded debt had a variable rate, no attempt has been made to calculate the cash flow savings or economic savings related to this transaction. The State did not have any prior defeased General Obligation bonds outstanding.

In prior years, the State defeased certain revenue bonds by placing the proceeds of new bonds and other monies available for debt service in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Statement of Net Assets. At June 30, 2002, $105.615 million revenue bonds outstanding are considered defeased.

In prior years, component units defeased certain revenue bonds by placing the proceeds of new bonds and various bond reserves in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the component unit column on the Statement of Net Assets. At June 30, 2002, $35.57 million of college and university bonds outstanding and $6.25 million Utah Housing Corporation bonds outstanding are considered defeased.

H. Notes Payable

The notes payable balance consists of notes issued by component units for the purchase of buildings and equipment. The notes bear various interest rates and will be repaid over the next 30 years. They are secured by the related assets.

Notes Payable Debt Service Requirements to Maturity
Component Units
For Fiscal Years Ending June 30
(Expressed in Thousands)

	Principal					
Fiscal Year	University of Utah	Utah State University	Nonmajor Component Units	Total Principal Required	Interest Required	Total Amount Required
2003	$ 402	$ 5,723	$ 1,123	$ 7,248	$ 1,351	$ 8,599
2004	436	330	760	1,526	1,249	2,775
2005	473	291	345	1,109	1,171	2,280
2006	419	293	329	1,041	1,103	2,144
2007	357	252	321	930	1,041	1,971
2008–2012	2,304	864	1,908	5,076	4,158	9,234
2013–2017	3,492	—	899	4,391	2,473	6,864
2018–2022	3,175	—	544	3,719	659	4,378
2023–2027	—	—	423	423	68	491
2028–2032	—	—	80	80	3	83
Total	$ 11,058	$ 7,753	$ 6,732	$ 25,543	$ 13,276	$ 38,819

I. Contracts Payable

Component unit capital leases/contracts payable include $3.531 million in life annuity contracts.

NOTE 11. GOVERNMENTAL FUND BALANCES —RESERVED AND DESIGNATED

The State's reserved fund balances represent: 1) **Nonlapsing Appropriations** which include continuing appropriations or nonlapsing funds, encumbrances for construction contracts in the capital projects funds, and limited encumbrances in the general and special revenue funds; or 2) **Restricted Purposes** which include fund balances that are legally restricted for other purposes, assets restricted by bond agreements or other external restrictions, and those portions of fund balance that are not available for appropriation or expenditure, such as loans to internal service funds. A summary of the nature and purpose of these reserves by fund type at June 30, 2002, follows:

Reserved Fund Balances
(Expressed in Thousands)

	Nonlapsing Appropriations	Restricted Purposes	Total Reserved
General Fund:			
Legislature	$ 3,087	$ —	$ 3,087
Governor	4,876	1,936	6,812
Elected Officials	1,877	369	2,246
Administrative Services	3,400	22	3,422
Tax Commission	6,255	10,396	16,651
Human Services	3,651	5,580	9,231
Corrections	1,557	—	1,557
Public Safety	5,385	6,471	11,856
Courts	1,829	3,382	5,211
Health	3,937	2,020	5,957
Environmental Quality	1,841	2,191	4,032
Employment and Family Services	—	6,852	6,852
Natural Resources	17,231	17,404	34,635
Community and Economic Development	2,293	4,376	6,669
Business, Labor, and Agriculture	8,195	3,470	11,665
Industrial Assistance Account	—	20,372	20,372
Loans to Internal Service Funds	—	44,638	44,638
Tobacco Settlement Funds	—	12,338	12,338
Oil Overcharge Funds	—	8,885	8,885
Other Purposes	200	5,158	5,358
Total	$ 65,614	$ 155,860	$ 221,474
Uniform School Fund:			
Minimum School Program	$ 20,443	$ —	$ 20,443
State Office of Education	5,802	137	5,939
School Building Program	—	9,926	9,926
School Land Interest	—	7,583	7,583
Total	$ 26,245	$ 17,646	$ 43,891
Transportation Fund:			
Transportation	$ 2,238	$ —	$ 2,238
Public Safety	—	6,021	6,021
Corridor Preservation	—	18,845	18,845
Aeronautical Programs	—	7,685	7,685
Salt Lake County Road Construction	—	10,768	10,768
Total	$ 2,238	$ 43,319	$ 45,557
Centennial Highway Fund:			
Bond Proceeds	$ —	$ 158,808	$ 158,808
Trust Lands Fund:			
Funds Held as Permanent Investments	$ —	$ 360,376	$ 360,376
Other Governmental Funds:			
Capital Projects	$ 164,300	$ 87,928	$ 252,228
Debt Service	—	14,709	14,709
Tobacco Settlement Funds	—	41,531	41,531
Environmental Reclamation	—	17,029	17,029
Other Purposes	—	6,437	6,437
Total	$ 164,300	$ 167,634	$ 331,934

Designated Fund Balances
(Expressed in Thousands)

	General Fund	Uniform School Fund	Transportation Fund	Other Governmental Funds	Total Governmental Funds
Designated for:					
Budgetary Reserve (Rainy Day) Account	$ 19,453	$ —	$ —	$ —	$ 19,453
Postemployment and Other Liabilities	124,026	138,328	39,165	—	301,519
Fiscal Year 2003 Appropriations	3,072	—	—	657	3,729
Capital Projects	—	—	—	52,959	52,959
Debt Service	—	—	—	8,173	8,173
Total	$ 146,551	$ 138,328	$ 39,165	$ 61,789	$ 385,833

NOTE 12. DEFICIT NET ASSETS

Funds reporting a deficit total net assets position at June 30, 2002, are (in thousands):

Private Purpose Trust Funds:	
Employers' Reinsurance	$ 266,642
Petroleum Underground Storage Tank	$ 60,718

The deficit in the Employers' Reinsurance Trust represents the unfunded portion of the actuarial estimate of claims incurred. The Employers' Reinsurance Trust claims are funded from assessments on workers' compensation insurance. The Utah Labor Commission sets the rate up to the maximum established by the Legislature to keep current revenues at a level sufficient to cover current cash disbursements. State law limits the State's liability to the cash or assets in the Employers' Reinsurance Trust only. State law also limits the Trust's liability to claims resulting from industrial accidents or occupational diseases occurring on or before June 30, 1994. For claims resulting from accidents or diseases on or after July 1, 1994, the employer or its insurance carrier is liable for resulting liabilities.

The Petroleum Underground Storage Tank Fund covers the clean-up costs of leaks from state-approved underground petroleum storage tanks. The assets in the fund are more than adequate to pay current claims. Unfunded future claims will be funded by future revenues.

Funds/activities reporting a deficit position in the unrestricted portion of their net assets at June 30, 2002, are (in thousands):

Internal Service Funds:	
General Services	$ 1,088
Fleet Operations	$ 31,873

The Internal Service Funds deficits are mainly due to the significant investment in capital assets required for these operations. The deficits will be covered by future charges for services. Management may also seek rate increases to help reduce these deficits.

NOTE 13. INTERFUND TRANSFERS

Transfers between funds occur when one fund collects revenue and transfers the assets to another fund for expenditure or when one fund provides working capital to another fund. All transfers must be legally authorized by the Legislature through statute or an *Appropriation Act.* Interfund transfers for the fiscal year ended June 30, 2002, are as follows (in thousands):

	Transfers In: Governmental Funds					
Transfers Out:	**General Fund**	**Uniform School Fund**	**Trans-portation Fund**	**Centennial Highway Fund**	**Trust Lands Fund**	**Nonmajor Governmental Funds**
General Fund	$ —	$ 107,279	$ 28,052	$ 124,800	$ 13	$ 56,125
Uniform School Fund	147,652	—	—	—	—	41,671
Transportation Fund	30,618	—	—	53,495	—	2,241
Centennial Highway Fund	—	—	8,079	—	—	85,306
Nonmajor Governmental Funds	1,755	19,000	—	—	—	13,524
Water Loan Programs	2,426	—	—	—	—	—
Nonmajor Enterprise Funds	34,942	—	—	—	—	—
Internal Service Funds	4,557	—	—	—	—	—
Private Purpose Trust Funds	1,579	—	—	—	—	—
Total Transfers In	$ 223,529	$ 126,279	$ 36,131	$ 178,295	$ 13	$ 198,867

Continues Below

	Enterprise Funds			
Transfers Out:	**Water Loan Programs**	**Nonmajor Enterprise Funds**	**Internal Service Funds**	**Total Transfers Out**
General Fund	$ 1,603	$ 9,407	$ 3,400	$ 330,679
Uniform School Fund	—	—	65	189,388
Transportation Fund	—	—	166	86,520
Centennial Highway Fund	—	—	—	93,385
Nonmajor Governmental Funds	—	—	—	34,279
Water Loan Programs	—	—	—	2,426
Nonmajor Enterprise Funds	—	—	—	34,942
Internal Service Funds	—	—	—	4,557
Private Purpose Trust Funds	—	—	—	1,579
Total Transfers In	$ 1,603	$ 9,407	$ 3,631	$ 777,755

Transfers from major governmental funds to nonmajor governmental funds are primarily for capital facility construction and debt service expenditures. Transfers from the General Fund to enterprise funds are primarily mineral lease royalties used to make loans and grants to local governments through the Community Impact Loan Fund. Transfers from enterprise funds to the General Fund are mostly liquor profits from the Alcoholic Beverage Control Fund that are required by statute to be deposited in the General Fund. All other transfers are made to finance various programs as authorized by the Legislature.

During fiscal year 2002, the Legislature authorized the following transfers to subsidize lower than expected revenues:

- $105.316 million from the Budgetary Reserve Account (General Fund) to the Uniform School Fund.
- $19.0 million from the Utah Sports Authority (nonmajor governmental fund) to the Uniform School Fund.
- $9.5 million from the Utah Sports Authority (nonmajor governmental fund) to the Capital Projects Fund (nonmajor governmental fund).
- $4.557 million from the Internal Service Funds to the General Fund.
- $1.579 million from the Wildland Fire Suppression Trust Fund (private purpose trust fund) to the General Fund.

In addition, the Legislature authorized payments to certain component units of the State. These amounts are reported as expenditures in both the General Fund fund statements and the Governmental Activities column of the Statement of Activities. They are also reported as revenues in the Component Units column of the Statement of Activities:

- $633.956 million to the Colleges and Universities.
- $3.010 million to the Comprehensive Health Insurance Pool.
- $553 thousand to the Utah State Fairpark Corporation.

NOTE 14. SPECIAL AND UNUSUAL ITEMS

A. Special Items

- As approved by the Legislature, the Salt Lake Olympic Organizing Committee (SLOC) purchased the winter sports park and equipment from the Utah Sports Authority (nonmajor governmental fund) for $59 million, on July 14, 1999. SLOC made a $1 million down payment at that time, and the balance of $58 million was paid on February 25, 2002. SLOC also paid interest for the period between January 10, 2002, and February 25, 2002, which totaled $512 thousand. On March 15, 2002, $29.772 million of the SLOC payment was redistributed to the local cities and towns, which included interest on their proportionate share. The current year sales proceeds and interest, and the distribution to local cities and towns represent flows of current financial resources and therefore are reported on the governmental fund financial statements. However, under the accrual basis of accounting, only the distribution of proceeds to local cities and towns is reported in the government-wide Statement of Activities since the sale occurred in a prior year.

- The Utah Technology Finance Corporation (nonmajor component unit) transferred $6.092 million to the State of Utah and $3.852 million of net assets of federal loan programs to an unrelated non-profit corporation as part of the Corporation's liquidation proceedings.

B. Unusual Item

The Unemployment Compensation Fund (major enterprise fund) received a $62.553 million distribution of federal unemployment taxes under the Federal *Reed Act.* This distribution was significantly higher than those of prior years.

NOTE 15. LITIGATION, CONTINGENCIES, AND COMMITMENTS

A. Litigation

- The State is involved in various legal actions arising in the ordinary course of business. The State is vigorously contesting all of these matters, but as of this date it is not possible to determine the outcome of these proceedings. In the opinion of the Attorney General and management, the ultimate disposition of these matters will not have a material adverse effect on the State's financial position.

- Members of the Navajo Nation allege the State of Utah has mismanaged Navajo Nation Trust Fund monies. The plaintiffs are seeking an accounting of the legitimacy of the fund's receipts and disbursements, and damages. If the State were ultimately held liable, the estimated liability could be up to approximately $50 million plus interest and attorneys' fees.

- A suit filed by the United Mine Workers of America claims the State Legislature wrongfully reallocated revenue generated from the *Utah Enabling Act's* Miners Hospital Grant lands to the University of Utah Medical Center. The plaintiffs seek a judgment requiring pay back of the diverted proceeds into a trust, and requiring the trust to be used only on a hospital for miners. If the State were ultimately held liable, the liability could range from $1 million to $25 million.

- A suit was filed by a landowner alleging breach of contract by the Utah State Armory Board and the Utah National Guard related to the sale of property. The plaintiff seeks damages of approximately $19 million plus attorney's fees.

- There are currently three separate suits or claims pending seeking refunds of taxes paid. In the event of adverse rulings on all of these issues including their certification as class-action suits, the State estimates the liability could be as much as $45 million.

- In addition to the items mentioned above, the State is contesting other legal actions totaling approximately $8 million plus attorney fees and interest in some cases.

B. Contingencies

- Financial and compliance audits (Single Audit) of federal grants, contracts, and agreements were conducted under the provisions of the Federal Office of Management and Budget's circulars. As a result of the audits, identified questioned costs are immaterial. Other audit findings on noncompliance cannot be estimated as to the potential liability. The Single Audit for the fiscal year ended June 30, 2002, is in process and management expects proposed disallowances to be immaterial.

- Management's estimated liability for the Underground Petroleum Storage Tank Fund (private purpose trust fund) is highly sensitive to change based on the short period of historical data and the uncertainties in estimating costs. Since it is not possible to determine the occurrence date of a leak in an underground storage tank, it is not possible to estimate the number or the associated costs of leaks that have not been detected.

- The Utah Department of Transportation (UDOT) plans on seeking reimbursement from the Federal Highway Administration (FHWA) for approximately $20 million per year for fiscal years 2003 through 2007. The related costs were incurred by the State as a result of the I-15 reconstruction project and were originally paid using state funds. UDOT has not recorded an accounts receivable for these future reimbursement requests because the requests are contingent upon sufficient future federal funds and federal obligation authority becoming available and future approval by the FHWA.

- The State is totally self-insured against liability claims and up to $2.5 million in property claims. According to an actuarial study and other known factors, $42.665 million exists as either incurred but unfiled or unpaid claims. This amount is reported as a liability of the Administrative Services Risk Management Fund (internal service fund).

- The Utah School Bond Guaranty Act (*Utah Code Annotated, 1953,* as amended, Sections 53A–28–101 to 402), which took effect on January 1, 1997, pledges the full faith, credit, and unlimited taxing power of the State to guaranty full and timely payment of the principal and interest on general obligation bonds issued by qualifying local school boards. The primary purpose of the Guaranty Act is to reduce borrowing costs for local school boards by providing credit enhancement for Guarantied Bonds.

In the event a school board is unable to make the scheduled debt service payments on its Guarantied Bonds, the State is required to make such payments in a timely manner. For this purpose, the State may use any available monies, may use short-term borrowing from the State Permanent School Fund (part of the permanent Trust Lands Fund), or may issue short-term general obligation notes. The local school board remains liable to the State for any such payments on Guarantied Bonds. Reimbursements to the State may be obtained by intercepting payment of state funds intended for the local school board. The State may also compel the local school board to levy a tax sufficient to reimburse the State for any guaranty payments.

The State Superintendent of Public Instruction is charged with monitoring the financial condition of local school boards and reporting, at least annually, its conclusions to the Governor, the Legislature, and the State Treasurer. The State Superintendent must report immediately any circumstances which suggest a local school board may not be able to pay its debt service obligations when due. The State does not expect that it will be required to advance monies for the payment of debt service on Guarantied Bonds for any significant period of time.

Local school boards have $1.139 billion principal amount of Guarantied Bonds outstanding at June 30, 2002. The State cannot predict the amount of bonds that may be guarantied in future years, but no limitation is currently imposed by the Guaranty Act.

- The Attorney General of the State sued the tobacco industry for medical costs related to smoking. The State of Utah has signed on to a master settlement agreement along with 45 other states. The major tobacco manufacturers and most smaller manufacturers have joined the agreement. The State received $32.552 million from tobacco companies in fiscal year 2002 and expects to receive approximately $31.9 million in fiscal year 2003. Annual payments are expected to continue for the next ten years but will be adjusted for factors such as inflation, decreased sales volume, previously settled law suits, disputed payments, and legal fees.

C. **Commitments**

- At June 30, 2002, the General Fund had loan commitments of approximately $184 thousand.
- Utah Retirement Systems (pension trust funds) has at December 31, 2001, committed to fund certain alternative investment partnerships and real estate projects for an amount of $1.102 billion. Funding of $616 million has been provided, leaving an unfunded commitment of $486 million as of December 31, 2001.
- As of June 30, 2002, the Utah Housing Corporation (component unit) has committed to purchase mortgages under the Single-Family Mortgage Purchase Program in the amount of $23.572 million.
- At June 30, 2002, the Enterprise Funds had loan and grant commitments of approximately $111 million ($96 million in loans, $15 million in grants).
- At June 30, 2002, the Utah Higher Education Assistance Authority Student Loan Guarantee Program (Student Assistance Programs, enterprise fund) had guaranteed student loans outstanding with an original principal amount of approximately $1.6 billion.

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- At June 30, 2002, the Department of Transportation had construction and other contract commitments of $504.885 million, of which $332.277 million is for Centennial Highway Fund (special revenue fund) projects and $172.608 million is for Transportation Fund (special revenue fund) projects. These commitments will be funded with bonded debt and future appropriations.

NOTE 16. JOINT VENTURE

The Utah Communications Agency Network (UCAN) was created by the State Legislature in 1997 as an independent agency. Its purpose is to provide a single, coordinated public safety communication system in an eight-county area in Northern Utah. The fiscal year ending June 30, 2002, was UCAN's fourth year of operations.

UCAN's governing board is made of ten representatives from local governments and five representatives from state agencies. The chairman of the board of UCAN is the Chief of the South Jordan City Fire Department. The State has contracted to purchase communication services from UCAN to meet the needs of law enforcement officers in the Departments of Public Safety, Corrections, Natural Resources, and other smaller state agencies.

In fiscal year 1998 the State provided startup capital of $185 thousand. UCAN receives federal funds as a subrecipient of grants awarded to the Department of Public Safety. UCAN also may receive legal counsel from the Attorney General's Office at no cost. Contracts with state agencies are estimated to provide over 30 percent of UCAN's operating revenues.

UCAN has $16.087 million of certificates of participation debt outstanding, which was issued to purchase and install microwave towers and equipment. UCAN's debt is not a legal obligation of the State; however, if UCAN cannot meet its debt service requirements, state law allows the Governor to request an appropriation to restore the debt service reserve fund to its required level or to meet any principal or interest payment deficiency. The Legislature is not required to make any such appropriation, but if made, UCAN must repay the State within 18 months. To date, UCAN has never requested any such funding from the State and has had sufficient resources to cover its debt service and debt service reserve requirements.

The State Auditor's Office audits UCAN's financial statements. Copies of those statements can be obtained from UCAN's administrative office or from the State Auditor's Office.

NOTE 17. PENSION PLANS

Eligible employees of the State are covered by one of the following retirement plans:

A. **Utah Retirement Systems**

Utah Retirement Systems (URS) was established by Section 49 of *Utah Code Annotated, 1953*, as amended. URS administers the pension systems and plans under the direction of the URS Board, which consists of the State Treasurer and six members appointed by the Governor. URS has a separate accounting system and prepares a separately issued financial report covering all retirement systems and deferred compensation plans administered by it. URS maintains records and prepares separately issued financial statements using fund accounting principles and the accrual basis of accounting under which expenses, including benefits and refunds, are recorded when the liability is incurred. Revenues, including contributions, are recorded in the accounting period in which they are earned and become measurable. URS reports on a calendar yearend. The December 31, 2001, financial report has been included in this Comprehensive Annual Financial Report as a pension trust fund for the Public Employees Retirement System (PERS) within the fiduciary funds. Copies of the separately issued financial report that include financial statements and required supplemental information may be obtained by writing to Utah Retirement Systems, 560 East 200 South, Salt Lake City, Utah 84102, or by calling 1-800-365-8772.

The URS operations are comprised of the following groups of systems and plans covering substantially all employees of the State, public education, and other political subdivisions of the State:

- The Public Employees Contributory Retirement System (Contributory System); the Public Employees Noncontributory Retirement System (Noncontributory System); and the Firefighters Retirement System, which are defined-benefit multiple-employer, cost-sharing, public employee retirement systems;
- The Public Safety Retirement System, which is a defined-benefit mixed cost-sharing and agent, multiple-employer retirement system;
- The Judges Retirement System and the Governors and Legislative Pension Plan, which are defined-benefit single-employer public employee retirement systems; and
- The 401(k) and 457 Plans, which are deferred compensation plans.

Retirement benefits are specified by Section 49 of *Utah Code Annotated, 1953*, as amended. The retirement systems are defined-benefit plans in which the benefits are based on age and/or years of service and highest average salary. Various plan options within the systems may be selected by retiring members. Some of the options require actuarial reductions based on attained age, age of spouse, and similar actuarial factors. A brief summary of eligibility for and benefits of the systems is provided in the following table:

Summary of Eligibility and Benefits

	Contributory System	Noncontributory System	Public Safety System	Firefighters System	Judges System
Highest Average Salary	Highest 5 Years	Highest 3 Years	Highest 3 Years		Highest 2 Years
Years of Service Required and/or Age Eligible for Benefit	30 years any age *20 years age 60 *10 years age 62 4 years age 65	30 years any age *25 years any age *20 years age 60 *10 years age 62 4 years age 65	20 years any age 10 years age 60 4 years age 65		25 years any age *20 years age 55 10 years age 62 6 years age 70
Benefit Percent per Year of Service	1.10% to June 1967 1.25% July 1967 to June 1975 2.00% July 1975 to present	2.00% per year	2.50% per year up to 20 years 2.00% per year over 20 years Benefit cannot exceed 70% of final average salary		5.00% first 10 years 2.25% second 10 years 1.00% over 20 years Benefit cannot exceed 75% of final average salary

*With full actuarial reductions

Former governors at age 65 receive $1,060 per month per term. Legislators receive a benefit actuarially reduced at age 62 with ten or more years of service, or an unreduced benefit at age 65 with four or more years of service at the rate of $23.60 per month per year of service. Both the governors' and legislators' benefits are adjusted based on the Consumer Price Index (CPI), limited to 4 percent of the base benefit per year.

Death benefits for active and retired employees are in accordance with retirement statutes. Upon termination of employment, members of the systems may leave their retirement account intact for future benefits based on vesting qualification, or withdraw the accumulated funds in their individual member account and forfeit service credits and rights to future benefits upon which the contributions were based.

As a condition of participation in the systems, employers and/or employees are required to contribute certain percentages of salaries and wages as authorized by statute and specified by the Board. Employee contributions may be paid in part or in whole by the employer. Contributions in some systems are also augmented by fees, insurance premium taxes, or legislative appropriations. Below is a summary of system participants.

Participants
December 31, 2001

	Contributory System	Non-contributory System	Public Safety System	Fire-fighters System	Judges System	Governors and Legislative Pension Plan
Number of participating:						
Employers	164	374	116	39	1	1
Members:						
Active	3,760	81,385	6,905	1,498	105	92
Terminated vested	1,539	19,067	874	50	4	89
Retirees and beneficiaries:						
Service benefits	7,683	19,164	2,542	799	78	229
Disability benefits	165	—	47	68	—	—

Employer contribution rates consist of *(1)* an amount for normal cost (the estimated amount necessary to finance benefits earned by the members during the current service year) and *(2)* an amount for amortization of the unfunded actuarial accrued liability over a period representing the remainder of the original 30 year amortization period. These rates are determined using the entry age actuarial cost method with a supplemental present value.

The following table presents the State of Utah's actuarially determined employer contributions required and paid to URS. These amounts are equal to the annual pension costs for each of the stated years and all of these amounts were paid for each year. Accordingly, the net pension obligation (NPO) at the end of each year was zero. For the Governors and Legislative Pension Plan, there has been no annual pension cost, required contributions, or NPO because the plan was overfunded for each of these years. Implementation of GASB Statement 34 has resulted in reclassification of some entities for the year ended June 30, 2002.

State of Utah's Employer Contributions
Required and Paid
For Fiscal Years Ended June 30
(Expressed in Thousands)

	Contributory System	Non-contributory System	Public Safety System	Fire-fighters System	Judges System	Total All Systems
Primary Government:						
2002	$ 5,777	$ 93,037	$ 25,921	$ 58	$ 928	$ 125,721
2001	$ 4,902	$ 78,752	$ 19,772	$ 56	$ 1,615	$ 105,097
2000	$ 4,943	$ 75,769	$ 19,717	$ 70	$ 1,572	$ 102,071
1999	$ 5,005	$ 72,361	$ 17,075	$ 67	$ 1,868	$ 96,376
1998	$ 5,082	$ 67,040	$ 16,106	$ 58	$ 1,899	$ 90,185
Component Units:						
Colleges and Universities:						
2002	$ 1,904	$ 28,028	$ 399	$ —	$ —	$ 30,331
2001	$ 2,398	$ 33,575	$ 442	$ —	$ —	$ 36,415
2000	$ 2,469	$ 32,839	$ 445	$ —	$ —	$ 35,753
1999	$ 2,457	$ 30,789	$ 356	$ —	$ —	$ 33,602
1998	$ 2,478	$ 29,214	$ 344	$ —	$ —	$ 32,036
Other:						
2002	$ 43	$ 258	$ —	$ —	$ —	$ 301
2001	$ 50	$ 352	$ —	$ —	$ —	$ 402
2000	$ 143	$ 2,416	$ —	$ —	$ —	$ 2,559
1999	$ 134	$ 2,158	$ —	$ —	$ —	$ 2,292
1998	$ 130	$ 1,989	$ —	$ —	$ —	$ 2,119
Total Primary Government and Component Units:						
2002	$ 7,724	$ 121,323	$ 26,320	$ 58	$ 928	$ 156,353
2001	$ 7,350	$ 112,679	$ 20,214	$ 56	$ 1,615	$ 141,914
2000	$ 7,555	$ 111,024	$ 20,162	$ 70	$ 1,572	$ 140,383
1999	$ 7,596	$ 105,308	$ 17,431	$ 67	$ 1,868	$ 132,270
1998	$ 7,690	$ 98,243	$ 16,450	$ 58	$ 1,899	$ 124,340

The following schedule summarizes contribution rates in effect as of December 31, 2001:

Contribution Rates as a Percent of Covered Payroll

System	Member	Employer	Other
Contributory	6.00%	4.19% – 5.91%	—
Noncontributory	—	8.20% – 10.40%	—
Public Safety:			
Contributory	10.50% – 13.74%	2.41% – 18.21%	—
Noncontributory	—	14.08% – 30.72%	—
Firefighters:			
Group A	6.77%	—	8.28%
Group B	8.43%	—	8.28%
Judges	5.55%	5.55%	18.93%
Governors and Legislative	—	—	—

401(k) and 457 Deferred Compensation Plans

The 401(k) Plan and 457 Plan administered by URS, in which the State participates, are deferred compensation plans. These plans are available as supplemental plans to the basic retirement benefits of the retirement systems for employees of employers which have adopted the 401(k) and 457 Plans. Voluntary contributions may be made into the plans subject to plan and Internal Revenue Code limitations. Employer contributions may be made into the plans at rates determined by the employers. There are 329 employers participating in the 401(k) Plan and 153 employers participating in the 457 Plan. There are 129,524 employees and retirees of those employers who are members of the 401(k) Plan and 9,436 who are members of the 457 Plan.

After termination of employment, benefits are paid out to individuals in lump sum, or as periodic benefit payments, at the option of the participant based on individual account balances. The 401(k) Plan and 457 Plan account balances are fully vested to the participants at the time of deposit. Investments of the plans are reported at fair value.

Employees of the State are eligible to participate in the deferred compensation 401(k) Plan. The State and participating employers are required to contribute to employees who participate in the noncontributory retirement plan. The State contributes 1.5 percent of eligible employees' salaries which amount vests immediately. The amounts contributed to the 401(k) Plan during the year ended June 30, 2002, by employees and employers are as follows: for Primary Government, $48.071 million and $15.230 million; for Component Units – Colleges and Universities, $3.305 million and $4.161 million; for Component Units – Other, $130 thousand and $44 thousand; and the combined total for all is $51.506 million and $19.435 million, respectively.

Pension Receivables and Investments

Investments are presented at fair value. The fair value of investments is based on published prices and quotations from major investment brokers at current exchange rates, as available. Many factors are considered in arriving at that value. Corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Mortgages have been valued on an amortized cost basis which approximates fair value. The fair value of real estate investments has been estimated based on independent appraisals. For investments where no readily ascertainable fair value exists, management, in consultation with their investment advisors, have determined the fair value for the individual investments. Approximately 11 percent of the net assets held in trust for the pension benefits are invested in bonds of the U.S. Government and its instrumentalities. The systems and plans have no investments of any commercial or industrial organization whose fair value equals 5 percent or more of the net assets available for benefits. The principal components of the receivables and investment categories are presented below.

Pension Receivables and Investments
(Expressed in Thousands)

	Contributory System	Non-contributory System	Public Safety System	Fire-fighters System	Judges System	Governors and Legislative Pension Plan	401(k) Plan	457 Plan	Total December 31, 2001
Receivables:									
Member Contributions	$ 431	$ —	$ 178	$ 241	$ —	$ —	$ —	$ —	$ 850
Employer Contributions	410	19,494	1,773	1,806	147	—	—	—	23,630
Court Fees and Fire Insurance Premium	—	—	—	—	23	—	—	—	23
Investments	10,399	121,925	15,143	6,246	1,019	129	23,877	—	178,738
Total Receivables	$ 11,240	$ 141,419	$ 17,094	$ 8,293	$ 1,189	$ 129	$ 23,877	$ 0	$ 203,241
Investments:									
Bonds	$ 232,529	$ 2,726,567	$ 338,651	$ 139,692	$ 22,777	$ 2,881	$ 447,932	$ 61,242	$ 3,972,271
Equity Investments	474,591	5,564,908	691,187	285,111	46,488	5,880	821,153	112,391	8,001,709
Venture Capital	45,497	533,487	66,262	27,333	4,457	564	—	—	677,600
Real Estate	72,280	847,524	105,267	43,422	7,080	896	—	—	1,076,469
Mortgage Loans	225	2,647	330	136	22	3	—	—	3,363
Invested Securities Lending Collateral	105,414	1,236,060	153,526	63,328	10,326	1,306	28,099	4,012	1,602,071
Investment Contracts	—	—	—	—	—	—	36,705	25,913	62,618
Total Investments	$ 930,536	$10,911,193	$ 1,355,223	$ 559,022	$ 91,150	$ 11,530	$1,333,889	$ 203,558	$15,396,101

Actuarial Methods and Assumptions

The latest actuarial valuation and study was dated January 1, 2001. The actuarial accrued liability and schedule of funding progress is presented by the retirement systems for the last ten years in their separately presented financial reports based on the report generated by that study conducted by Gabriel, Roeder, Smith & Company. The actuarial value of assets for that date is based on a smoothed expected investment income rate of 8 percent. Investment income in excess or shortfall of the expected 8 percent return on fair value is smoothed over a five-year period with 20 percent of a year's excess or shortfall being recognized each year, beginning with the current year. All systems use the entry age actuarial cost method and the level percent of payroll amortization method. The remaining amortization period for all systems is open group, 20 years, closed period. An inflation rate of 3 percent is used for all systems. Post retirement cost of living adjustments are non-compounding and are based on the original benefit. The adjustments are also limited to the actual CPI increase for the year with any unusual CPI increase not met carried forward to subsequent years. Below is the Schedule of Funding Progress.

(Table presented on next page)

Schedules of Funding Progress
By Valuation Date
(Expressed in Thousands)

	Contributory System	Noncontributory System	Public Safety System	Firefighters System	Judges System	Governors and Legislative Pension Plan
Actuarial Value of Assets:						
January 1, 2000	$ 878,190	$ 9,237,447	$ 1,146,331	$ 483,374	$ 78,130	$ 10,946
January 1, 2001	$ 924,573	$ 10,361,333	$ 1,286,996	$ 536,503	$ 87,139	$ 11,569
December 31, 2001	$ 945,723	$ 11,086,134	$ 1,376,466	$ 569,151	$ 92,649	$ 11,710
....						
Actuarial Accrued Liability (AAL):						
January 1, 2000	$ 894,484	$ 9,006,308	$ 1,105,166	$ 419,157	$ 68,134	$ 8,253
January 1, 2001	$ 935,799	$ 9,933,514	$ 1,206,876	$ 455,456	$ 73,962	$ 7,908
December 31, 2001	$ 962,035	$ 10,728,754	$ 1,305,903	$ 491,331	$ 79,932	$ 7,839
Unfunded Actuarial Accrued Liability (UAAL):						
January 1, 2000	$ 16,294	$ (231,139)	$ (41,165)	$ (64,217)	$ (9,996)	$ (2,693)
January 1, 2001	$ 11,226	$ (427,819)	$ (80,120)	$ (81,047)	$ (13,177)	$ (3,661)
December 31, 2001	$ 16,312	$ (357,380)	$ (70,563)	$ (77,820)	$ (12,717)	$ (3,871)
Funding Ratios:						
January 1, 2000	98.2%	102.6%	103.7%	115.3%	114.7%	132.6%
January 1, 2001	98.8%	104.3%	106.6%	117.8%	117.8%	146.3%
December 31, 2001	98.3%	103.3%	105.4%	115.8%	115.9%	149.4%
Annual Covered Payroll:						
January 1, 2000	$ 137,561	$ 2,499,087	$ 226,057	$ 57,561	$ 10,104	$ 468
January 1, 2001	$ 141,067	$ 2,659,200	$ 247,985	$ 63,274	$ 10,397	$ 464
December 31, 2001	$ 142,882	$ 2,832,060	$ 260,783	$ 67,192	$ 10,927	$ 556
UAAL as a Percent of Covered Payroll:						
January 1, 2000	11.8%	(9.2)%	(18.2)%	(111.6)%	(98.9)%	(575.4)%
January 1, 2001	8.0%	(16.1)%	(32.3)%	(128.1)%	(126.7)%	(789.0)%
December 31, 2001	11.4%	(12.6)%	(27.1)%	(115.8)%	(116.4)%	(696.2)%

B. **Teachers Insurance and Annuity Association**

The Teachers Insurance and Annuity Association and/or College Retirement Equities Fund (TIAA–CREF), privately administered defined-contribution retirement plans, provide individual retirement fund contracts for each eligible participating employee. Eligible employees are mainly state college/university faculty and employees of the Student Assistance Programs. Benefits to retired employees are generally based on the value of the individual contracts and the estimated life expectancy of the employee at retirement and are fully vested from the date of employment. The total current year required contribution and the amount paid is 14.2 percent of the employee's annual salary. Most of the employers contribute both the employer and the employee share of 7.1 percent. The State has no further liability once annual contributions are made.

The following table presents the State of Utah's actual employer contributions to the TIAA–CREF retirement system:

State of Utah's Employer Contributions
For the Years Ended June 30, 2001 and 2002
(Expressed in Thousands)

	Contribution Required and Paid 2001	Contribution Required and Paid 2002
Primary Government	$ 611	$ 572
Component Units:		
College and University	83,880	91,708
Total	$ 84,491	$ 92,280

NOTE 18. POSTEMPLOYMENT BENEFITS

At the option of the individual state departments, employees may be offered participation in a post-retirement benefits program, as set forth in Section 67–19–14(2) of the *Utah Code*. In order to qualify, the employee must be eligible to receive retirement benefits. Upon retirement most employees, including those age 65 and over, may be paid for 25 percent of unused accumulated sick leave at the employee's current rate of pay. In addition, the employee may receive health and life insurance coverage up to age 65, but not to exceed five years. If the employee has not reached age 65 after the five-year limitation is reached, they may exchange one sick leave day in excess of 60 days, after the 25 percent payout, for one month of paid health and life insurance coverage, or after age 65 spouse health insurance to age 65, or Medicare supplemental insurance for the employee or spouse. As of June 30, 2002, there were 1,492 individuals on the program. The insurance coverage is paid 100 percent by the State for individuals retiring before July 1, 2000. Individuals retiring thereafter are required to pay between 2 and 7 percent of the cost depending on the coverage selected.

The State has recorded an estimated liability for current employees who will eventually retire in addition to an estimated liability for employees who have already retired. The estimated 25 percent sick leave payouts at retirement are included in the liability for compensated absences. The postemployment benefits liability consists of the estimated liability for health and life insurance benefits. Charges to agency budgets are made on an ongoing basis to fund the current payments for these benefits and compensated absences. For the year ended June 30, 2002, the cumulative postemployment benefits liability was $213.633 million, and $43.977 million in postemployment benefits expenditures were recognized. In accordance with state law, accrued tax revenues are designated at yearend to fund postemployment benefits, compensated absences, and other liabilities. At June 30, 2002, net designated accrued taxes were $301.519 million.

A liability is also reported in the Pension Trust Funds of $1.565 million which will be liquidated by assets of Utah Retirement Systems.

All employers who participate in the State Retirement Systems are eligible to participate in the Public Employees Long-Term Disability Program per Section 49–21–201 of the *Utah Code*. Employees of those state agencies who participate in the program and meet long-term disability eligibility receive benefits for the duration of their disability up to the time they are eligible for retirement or until age 65. Benefits begin after a three month waiting period and are paid 100 percent by the program. As of June 30, 2002, there are 315 state employees receiving benefits. The program is funded by paying premiums to the Employees Group Insurance Fund (internal service fund), where assets are set aside for future payments. For the year ended June 30, 2002, the State paid $4.351 million in premiums and the program has $37.686 million in assets.

The colleges and universities offer early retirement incentives, as approved by their boards of trustees, which may provide health, dental, and life insurance; incentive pay or stipends; or long-term disability. Eligibility requirements differ, depending on the college or university. In general, the employee must be at least 52–60 years of age with a minimum of 15–16 years of service. Some of the colleges and universities also require that the sum of the employee's age and years of service be at least 75. The employee may receive these benefits up to age 65 but not to exceed 5–7 years. The ranges for incentive and stipend pay are from 14.28 percent to 30 percent of the employee's salary upon retirement. The benefits are funded on a pay-as-you-go basis. As of June 30, 2002, there are 506 individuals participating in the programs, and $10.774 million was expended during the year. The total liability for postemployment benefits and compensated absences for the college and universities at June 30, 2002, was $66.723 million. The postemployment benefits portion of the cumulative liability was $19.210 million.

NOTE 19. RISK MANAGEMENT AND INSURANCE

It is the policy of the State of Utah to periodically assess the proper combination of commercial insurance and self-insurance to cover the risk of losses to which it may be exposed. This is accomplished by the State through the Risk Management and Employees Group Insurance Funds (internal service funds). The State is the predominant participant in these pools. The Risk Management Fund manages the general property and liability risk of the State, and the Employees Group Insurance Fund manages the health insurance programs of the State. The University of Utah and Utah State University (component units) each maintain self-insurance funds to manage health care. The University of Utah also maintains self-insurance funds to manage auto/physical damage, and medical malpractice liabilities.

The State has determined that the risk funds can economically and effectively manage the State's risks internally and have set aside assets for claim settlement. The risks are covered through reserves and commercial insurance for excessive losses. The State has not had any losses or settlements that exceeded the commercial excess insurance coverage for any of the last three years. The risk funds service all claims for risk of loss to which the State is exposed, including general liability, property and casualty, group medical and dental, and some environmental claims. They also service the general risk claims for many local school districts and local health departments within the State. All funds, agencies, and public authorities of the State may participate in the State's Risk Management and Employees Group Insurance Funds. The risk funds allocate the cost of providing claims servicing, claims payment, and commercial insurance by charging a "premium" to each agency, public authority, or employee, based on each organization's estimated current year liability and property values. The liability is determined using an independent actuarial study based on past, current, and estimated loss experiences.

Risk Management and Employees Group Insurance Fund claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated and include an amount for claims that have been incurred but not reported. Because actual claims liabilities are affected by complex factors including inflation, changes in legal doctrines and insurance benefits, and unanticipated damage awards, the process used in computing claims liabilities does not necessarily result in exact amounts. Claims liabilities are recomputed periodically by actuaries to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Inflation is included in this calculation because reliance is based on historical data that reflects past inflation and other appropriate modifiers. Risk Management claims liabilities are reported at an 80 percent statistical confidence level. Employees Group Insurance Fund long-term disability benefit reserves are reported using a discount rate of 7 percent.

The State covers its workers' compensation risk by purchasing insurance from Workers' Compensation Fund (a related organization). The University of Utah and Utah State University report claims liabilities if it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The University of Utah and the University Hospital have a "claims made" umbrella malpractice insurance policy in an amount considered adequate by its respective administrations for catastrophic malpractice liabilities in excess of the trusts' fund balances. Amounts for the current year are included below.

The following table presents the changes in claims liabilities balances (short-and long-term combined) during fiscal years ended June 30, 2001, and June 30, 2002:

Changes in Claims Liabilities
(Expressed in Thousands)

	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
Risk Management:				
2001	$ 36,860	$ 14,914	$ (7,447)	$ 44,327
2002	$ 44,327	$ 16,730	$ (14,243)	$ 46,814
Employees Group Insurance:				
2001	$ 68,124	$ 249,214	$(242,939)	$ 74,399
2002	$ 74,399	$ 292,401	$(286,905)	$ 79,895
College and University Self-Insurance:				
2001	$ 20,844	$ 89,613	$ (91,059)	$ 19,398
2002	$ 19,398	$ 100,036	$ (91,576)	$ 27,858

NOTE 20. SEGMENT INFORMATION

The Student Loan Program issues revenue bonds with the objective of providing funds to student borrowers and to lending institutions to assist students in obtaining a post-secondary education. The Program has issued revenue bonds under the authority of two General Indentures. The General Indentures are accounted for in a single enterprise fund, but investors in the various revenue bonds rely solely on the revenue generated by the individual activities for repayment. Summary financial information for each indenture is presented below (in thousands):

	1988 Revenue Bond Fund	1993 Revenue Bond Fund	Total
Condensed Statement of Net Assets			
Assets			
Current Assets	$ 156,330	$ 241,845	$ 398,175
Capital Assets	61	—	61
Other Noncurrent Assets	345,227	625,562	970,789
Total Assets	501,618	867,407	1,369,025
Liabilities			
Current Liabilities	34,849	7,102	41,951
Noncurrent Liabilities	392,731	827,463	1,220,194
Total Liabilities	427,580	834,565	1,262,145
Net Assets			
Restricted	74,038	32,842	106,880
Total Net Assets	$ 74,038	$ 32,842	$ 106,880
Condensed Statement of Revenues, Expenses, and Changes in Net Assets			
Operating Revenues:			
Interest on Student Loans	$ 19,356	$ 34,441	$ 53,797
Federal Allowances	5,929	3,695	9,624
Other	461	705	1,166
Total Operating Revenue	25,746	38,841	64,587
Operating Expenses:			
General Expense	18,972	31,925	50,897
Depreciation	406	—	406
Total Operating Expenses	19,378	31,925	51,303
Operating Income	6,368	6,916	13,284
Non Operating Investment Income	2,710	4,825	7,535
Change in Net Asset	9,078	11,741	20,819
Net Assets – Beginning	64,960	21,101	86,061
Net Assets – Ending	$ 74,038	$ 32,842	$ 106,880
Condensed Statement of Cash Flows			
Net Cash Provided (used) by:			
Operating Activities	$ 49,809	$ (97,408)	$ (47,599)
Noncapital Financing Activities	(17,383)	168,904	151,521
Capital and Related Financing Activities	(59)	—	(59)
Investing Activities	(31,528)	(72,011)	(103,539)
Net Increase (Decrease)	839	(515)	324
Beginning Cash and Cash Equivalents	4,393	4,122	8,515
Ending Cash and Cash Equivalents	$ 5,232	$ 3,607	$ 8,839

NOTE 21. SUBSEQUENT EVENTS

On July 15, 2002, the State issued $253.1 million of general obligation refunding bonds Series 2002 B. Proceeds of the bonds together with other funds were deposited into an irrevocable trust escrow account to advance refund portions of previously issued general obligation bonds in the following amounts: $77.675 million of Series 1997 E bonds; $100.675 million of Series 1997 F bonds; and $85.325 million of Series 1998 A bonds.

The Student Loan Purchase Program issued additional Student Loan Revenue Bonds under the authority of the 1993 Revenue Bonds General Indenture, Tenth Supplemental Indenture in the amount of $35.85 million dated September 1, 2002. The bonds are special obligation bonds of the Board and are secured, as provided by the indenture, by all assets of the 1993 Revenue Bond Fund and the revenues and receipts derived from such assets.

Subsequent to June 30, 2002, the Utah Housing Corporation (major component unit) issued $19.0 million Single-Family Mortgage Purchase Variable Rate Bonds, Series D, maturing on July 1, 2004, through 2010 and January 1, and July 1, 2033, interest at a variable rate adjusted weekly, and issued $6.0 million Single-Family Mortgage Purchase Fixed Rate Bonds, 2002 Series D, maturing on July 1, 2018 and 2023, at interest rates of 5 percent to 5.35 percent.

In July 2002, Utah State University (major component unit) issued $23.735 million Refunding and Research Revenue Bonds Series 2002 A. The bond proceeds will be used to acquire, construct, furnish and equip three research facilities including related office space. A portion of the funds is also being used to advance refund $3.515 million of outstanding Research and Refunding Revenue Bonds, Series 1995 A, which mature on December 1 of 2006 through 2010. Interest rates on the bonds range from 2.50 percent to 5.25 percent with interest and principal payments from December 2002 through 2017.

State of Utah

Budgetary Comparison Schedule
General Fund

For the Fiscal Year Ended June 30, 2002 (Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
General Revenues				
Sales Tax	$ 1,497,852	$ 1,434,800	$ 1,441,318	$ 6,518
Licenses, Permits, and Fees:				
Insurance Fees	5,089	7,226	6,781	(445)
Court Fees	3,220	3,332	3,126	(206)
Other Licenses, Permits, and Fees	7,006	8,344	7,831	(513)
Investment Income	20,000	11,500	9,732	(1,768)
Miscellaneous Taxes and Other:				
Beer Tax	10,000	10,355	10,470	115
Cigarette and Tobacco Tax	51,000	48,945	49,486	541
Inheritance Tax	13,000	8,600	9,424	824
Insurance Premium Tax	59,013	50,550	56,616	6,066
Oil, Gas, and Mining Severance Tax	36,000	30,050	23,846	(6,204)
Taxpayer Rebates	(4,000)	(5,400)	(5,342)	58
Court Collections	6,522	6,762	6,344	(418)
Miscellaneous Other	11,027	20,036	19,057	(979)
Total General Revenues	1,715,729	1,635,100	1,638,689	3,589
Department Specific Revenues				
Restricted Sales Tax	2,964	2,964	2,993	29
Federal Contracts and Grants	1,252,266	1,342,706	1,342,706	—
Departmental Collections	176,193	182,484	211,932	29,448
Higher Education Collections	198,831	221,890	221,890	—
Federal Mineral Lease	36,300	36,300	29,367	(6,933)
Investment Income	9,927	9,927	6,596	(3,331)
Miscellaneous	290,681	310,453	351,160	40,707
Total Department Specific Revenues	1,967,162	2,106,724	2,166,644	59,920
Total Revenues	3,682,891	3,741,824	3,805,333	63,509
Expenditures				
General Government	196,494	188,894	169,000	19,894
Human Services and Youth Corrections	558,132	549,055	543,480	5,575
Corrections, Adult	195,171	184,916	183,359	1,557
Public Safety	137,464	156,250	148,970	7,280
Courts	104,110	102,390	100,568	1,822
Health and Environmental Quality	1,166,922	1,287,708	1,281,808	5,900
Higher Education – State Administration	43,478	42,155	42,155	—
Higher Education – Colleges and Universities	796,540	841,143	841,143	—
Employment and Family Services	259,784	327,118	327,100	18
Natural Resources	132,916	146,386	123,519	22,867
Community and Economic Development	121,641	101,659	87,940	13,719
Business, Labor, and Agriculture	63,649	65,017	54,137	10,880
Total Expenditures	3,776,301	3,992,691	3,903,179	89,512
Excess Revenues Over (Under) Expenditures	(93,410)	(250,867)	(97,846)	153,021
Other Financing Sources (Uses)				
Transfers In	269,571	226,550	226,550	—
Transfers Out	(294,324)	(334,242)	(334,242)	—
Total Other Financing Sources (Uses)	(24,753)	(107,692)	(107,692)	0
Net Change in Fund Balance	(118,163)	(358,559)	(205,538)	153,021
Budgetary Fund Balance – Beginning	404,898	404,898	404,898	—
Budgetary Fund Balance – Ending	$ 286,735	$ 46,339	$ 199,360	$ 153,021

Budgetary Comparison Schedule
Uniform School Fund

For the Fiscal Year Ended June 30, 2002 (Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
General Revenues				
Individual Income Tax	$ 1,841,762	$ 1,622,389	$ 1,610,170	$ (12,219)
Corporate Tax	205,482	107,740	127,320	19,580
Investment Income	5,000	4,000	9,648	5,648
Miscellaneous Other	8,000	8,650	5,556	(3,094)
Total General Revenues	2,060,244	1,742,779	1,752,694	9,915
Department Specific Revenues				
Federal Contracts and Grants	237,428	252,991	252,991	—
Departmental Collections	6,049	2,287	1,777	(510)
Miscellaneous:				
School Lunch Tax	14,507	14,507	15,606	1,099
Driver Education Fee	4,156	4,156	4,188	32
Other	7,349	7,349	8,936	1,587
Total Department Specific Revenues	269,489	281,290	283,498	2,208
Total Revenues	2,329,733	2,024,069	2,036,192	12,123
Expenditures				
Public Education	2,086,987	2,032,579	2,005,507	27,072
Total Expenditures	2,086,987	2,032,579	2,005,507	27,072
Excess Revenues Over (Under) Expenditures	242,746	(8,510)	30,685	39,195
Other Financing Sources (Uses)				
Transfers In	1,875	126,279	126,279	—
Transfers Out	(280,733)	(189,388)	(189,388)	—
Total Other Financing Sources (Uses)	(278,858)	(63,109)	(63,109)	0
Net Change in Fund Balance	(36,112)	(71,619)	(32,424)	39,195
Budgetary Fund Balance – Beginning	76,315	76,315	76,315	—
Budgetary Fund Balance – Ending	$ 40,203	$ 4,696	$ 43,891	$ 39,195

State of Utah

Budgetary Comparison Schedule
Transportation Fund

For the Fiscal Year Ended June 30, 2002 (Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
General Revenues				
Motor Fuel Tax	$ 252,174	$ 228,100	$ 237,925	$ 9,825
Special Fuel Tax	80,900	84,950	84,406	(544)
Licenses, Permits, and Fees:				
Motor Vehicle Registration Fees	27,600	27,862	27,378	(484)
Proportional Registration Fees	13,275	12,653	11,665	(988)
Temporary Permits	443	432	401	(31)
Special Transportation Permits	6,638	6,375	5,831	(544)
Highway Use Permits	9,404	8,809	8,000	(809)
Motor Vehicle Control Fees	4,757	4,483	4,167	(316)
Miscellaneous	1,949	1,732	1,610	(122)
Investment Income	3,872	3,133	2,075	(1,058)
Miscellaneous Other	2,762	2,121	1,720	(401)
Total General Revenues	403,774	380,650	385,178	4,528
Department Specific Revenues				
Restricted Sales Tax	30,100	31,800	31,235	(565)
Federal Contracts and Grants	146,225	205,982	205,982	—
Departmental Collections	33,620	33,570	44,055	10,485
Federal Aeronautics	30,000	30,000	31,026	1,026
Investment Income	380	380	582	202
Miscellaneous	10,750	10,790	22,453	11,663
Total Department Specific Revenues	251,075	312,522	335,333	22,811
Total Revenues	654,849	693,172	720,511	27,339
Expenditures				
Transportation	564,947	675,270	665,042	10,228
Total Expenditures	564,947	675,270	665,042	10,228
Excess Revenues Over (Under) Expenditures	89,902	17,902	55,469	37,567
Other Financing Sources (Uses)				
Transfers In	30,422	36,131	36,131	—
Transfers Out	(92,666)	(86,520)	(86,520)	—
Total Other Financing Sources (Uses)	(62,244)	(50,389)	(50,389)	0
Net Change in Fund Balance	27,658	(32,487)	5,080	37,567
Budgetary Fund Balance – Beginning	86,675	86,675	86,675	—
Budgetary Fund Balance – Ending	$ 114,333	$ 54,188	$ 91,755	$ 37,567

State of Utah

Budgetary Comparison Schedule
Centennial Highway Fund

For the Fiscal Year Ended June 30, 2002 (Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
General Revenues				
Sales Tax	$ 5,112	$ 4,800	$ 4,905	$ 105
Motor Vehicle Registration Fees	18,670	17,500	18,120	620
Investment Income	2,000	2,100	2,931	831
Total General Revenues	25,782	24,400	25,956	1,556
Department Specific Revenues				
Federal Contracts and Grants	38,016	46,865	46,865	—
Miscellaneous	5,460	—	—	—
Total Department Specific Revenues	43,476	46,865	46,865	0
Total Revenues	69,258	71,265	72,821	1,556
Expenditures				
Transportation	333,535	467,428	205,358	262,070
Total Expenditures	333,535	467,428	205,358	262,070
Excess Revenues Over (Under) Expenditures	(264,277)	(396,163)	(132,537)	263,626
Other Financing Sources (Uses)				
General Obligation Bonds Issued	125,000	277,810	277,810	—
Premium (Discount) on Bonds Issued	—	11,241	11,241	—
Transfers In	207,834	178,295	178,295	—
Transfers Out	(82,658)	(93,385)	(93,385)	—
Total Other Financing Sources (Uses)	250,176	373,961	373,961	0
Net Change in Fund Balance	(14,101)	(22,202)	241,424	263,626
Budgetary Fund Balance – Beginning	63,933	63,933	63,933	—
Budgetary Fund Balance – Ending	$ 49,832	$ 41,731	$ 305,357	$ 263,626

Budgetary Comparison Schedule
Budget To GAAP Reconciliation

For the Fiscal Year Ended June 30, 2002 (Expressed in Thousands)

	General Fund	Uniform School Fund	Transportation Fund	Centennial Highway Fund
Revenues				
Actual total revenues (budgetary basis)	$ 3,805,333	$ 2,036,192	$ 720,511	$ 72,821
Differences – Budget to GAAP:				
Intrafund revenues are budgetary revenues but are not revenues for financial reporting	(274,012)	(6,968)	(22,026)	—
Higher education collections are budgetary revenues but are not revenues for financial reporting	(221,890)	—	—	—
Change in revenue accrual for nonbudgetary Medicaid claims	4,387	—	—	—
Change in tax accruals designated by law for postemployment and other liabilities are revenues for financial reporting but not for budgetary reporting	5,960	(28,383)	(1,097)	—
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	$ 3,319,778	$ 2,000,841	$ 697,388	$ 72,821
Expenditures				
Actual total expenditures (budgetary basis)	$ 3,903,179	$ 2,005,507	$ 665,042	$ 205,358
Differences – Budget to GAAP:				
Intrafund expenditures for reimbursements are budgetary expenditures but are not expenditures for financial reporting	(274,012)	(6,968)	(22,026)	—
Expenditures related to higher education collections are budgetary expenditures but are not expenditures for financial reporting	(221,890)	—	—	—
Certain budgetary transfers are reported as expenditures for financial reporting	541	—	—	—
Leave/postemployment charges budgeted as expenditures when earned rather than when taken or due	(1,581)	(299)	(857)	—
Change in accrual for Medicaid incurred but not reported claims excluded from the budget by statute	6,176	—	—	—
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	$ 3,412,413	$ 1,998,240	$ 642,159	$ 205,358

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

Budgetary Presentation

A Budgetary Comparison Schedule is presented for each of the State's major governmental funds for which the Legislature enacts an annual budget. An annual budget is also adopted for the Debt Service Fund, a nonmajor fund. The budgets are enacted through passage of *Appropriations Acts.* Budgets for specific general revenues are not adopted through an *Appropriations Act* but are based on supporting estimates approved by the Executive Appropriations Committee of the Legislature. General revenues are those revenues available for appropriation for any program or purpose as allowed by law. Department-specific revenues are revenues dedicated by an *Appropriations Act* or restricted by other law or external grantor to a specific program or purpose.

Original budgets and related revenue estimates represent the spending authority enacted through *Appropriations Acts* as of June 30, 2001, and include nonlapsing carryforward balances from the prior fiscal year. Final budgets represent the original budget as amended by supplemental appropriations and related changes in revenue estimates, executive order reductions when applicable, and changes authorized or required by law when department-specific revenues either exceed or fall short of budgeted amounts.

Unexpended balances at yearend may: 1) lapse to unrestricted balances and be available for future appropriation; 2) lapse to restricted balances and be available for future appropriation restricted for specific purposes as defined by statute; or 3) be nonlapsing, which means balances are reported as reservations of fund balance. The nonlapsing balances are considered automatically reappropriated as authorized by statute, by an *Appropriations Act*, or by limited encumbrances.

Changes in Budgetary Fund Balance — As discussed in Note 2 to the basic financial statements, the implementation of new accounting standards resulted in significant changes to the reported GAAP-basis fund balances, which in turn affect the budgetary fund balances. The beginning budgetary fund balances have been restated from the prior year for these changes.

Legal Compliance and Budget Management

In September of each year, all agencies of the government submit requests for appropriations to the Governor's Office of Planning and Budget so that a budget may be prepared. The budget is prepared by fund, function, and activity and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

In January, the proposed budget is presented to the Legislature. The Legislature reviews the budget, makes changes, and prepares the annual *Appropriations Act*. The Legislature passes the *Appropriations Act* by a simple majority vote. The *Appropriations Act* becomes the State's authorized operating budget upon the Governor's signature. The appropriations may not exceed the estimated available funding for the fiscal year.

Budgetary control is maintained at the functional or organizational level, as identified by numbered line items in the *Appropriations Act*. Budgets may be modified if federal funding or revenue specifically dedicated for a line item exceeds original estimates in the *Appropriations Act*. If funding sources are not sufficient to cover the appropriation, the Governor is required to reduce the budget by the amount of the deficiency. Any other changes to the budget must be approved by the Legislature in a supplemental *Appropriations Act*.

The departments which spend more than the authorized amount must submit a report explaining the overspending to the State Board of Examiners. The Board will recommend corrective action, which may include a request to the Legislature for a supplemental appropriation to cover the deficit. If a supplemental appropriation is not approved, the department must cover the overspending with the subsequent year's budget. In the General Fund, the State Courts Administrator's budget for juror and witness fees was overexpended by $374 thousand. This deficit is allowed by statute and will be funded with future appropriations. Also, the budget for the Medical Assistance Program (primarily Medicaid) was overexpended by $1.834 million (excluding $468 thousand of nonlapsing funds not available to cover the deficit). This deficit occurred because of increased utilization and program changes related to reinsurance, and is expected to be covered by the fiscal year 2003 appropriation. The Department of Health will continue its efforts to control expenditures of this complex entitlement program to help ensure overexpenditures do not occur in the future. All other appropriated budgets of the State were within their authorized spending levels.

The State also has an appropriation limitation statute that limits the growth in state appropriations in two ways. First, as population, personal income, and inflation increase, appropriations are allowed to increase only at the same relative rate. Second, the state-mandated property tax rate, which funds a portion of public education at the local level, is capped at the level set July 1, 1989. The appropriations limitation can be exceeded only if a fiscal emergency is declared and approved by more than two-thirds of both houses of the Legislature, or if approved by a vote of the people. However, the appropriations limitation statute may be amended by a majority of both houses of the Legislature. Appropriations for construction of capital facilities and Centennial Highway Fund projects, appropriations for debt service, and transfers to the Budgetary Reserve Account (Rainy Day Fund) are exempt from the appropriations limitation. Beginning in 2003, appropriations of unrestricted revenues to the Centennial Highway Fund will no longer be excluded from the appropriations limitation calculation. For the fiscal year ended June 30, 2002, the State was $340.7 million below the appropriations limitation. The State is currently below the fiscal year 2003 appropriations limitation by $294.1 million.

INFORMATION ABOUT INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH

As allowed by GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, the State has adopted an alternative to reporting depreciation on roads and bridges (infrastructure assets) maintained by the Utah Department of Transportation (UDOT). Under this alternative method, referred to as the "modified approach," infrastructure assets are not depreciated, and maintenance and preservation costs are expensed.

In order to utilize the modified approach, the State is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform and document replicable condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the State.
- Document that the infrastructure assets are being preserved approximately at, or above the condition level established by the State.

Roads

UDOT uses the Pavement Management System to determine the condition of 5,855 centerline miles of state roads. The assessment is based on the Ride Index, which is a measure of ride quality on a 1 to 5 scale, with 5 representing new or nearly new pavements that provide a very smooth ride. The Ride Index is calculated from the International Roughness Index (IRI), with pavement type (asphalt or concrete) taken into account. The IRI is a mathematical statistic based on the longitudinal profile of the road.

Category	Range	Description
Very Good	4.35 - 5.00	New or nearly new pavements that provide a very smooth ride, and are mainly free of distress.
Good	3.55 - 4.34	Pavements which provide an adequate ride, and exhibit few, if any, visible signs of distress.
Fair	2.75 - 3.54	Surface defects in this category such as cracking, rutting, and raveling are affecting the ride.
Poor	1.85 - 2.74	These roadways have deteriorated to such an extent that they are in need of resurfacing and the ride is noticeably rough.
Very Poor	1.00 - 1.84	Pavements in this category are severely deteriorated, and the ride quality must be improved.

Condition Level

The State's established condition level is to maintain 50 percent of its roads with a rating of "fair" or better and no more than 15 percent of roads with a rating of "very poor."

The State performs complete assessments on a calendar year basis. The following table reports the result of pavements with ratings of "fair" or better (ratings of 2.75 through 5.0) or "very poor" (ratings of 1.0 through 1.84) for the last three years:

Rating	2001	2000	1999
Fair or Better	70.4%	66.5%	74.0%
Very Poor	8.3%	10.7%	7.3%

Bridges

UDOT uses the Structures Inventory System to monitor the condition of the 1,760 state-owned bridges. A number, ranging from 1-100, is calculated based on condition, geometry, functional use, safety, and other factors. Three categories of condition are established in relation to the number range as follows:

Category	Range	Description
Good	80-100	Preventive maintenance requirements include repair leaking deck joints, apply deck overlays and seals, place concrete sealers to splash zones, paint steel surfaces, and minor beam repairs.
Fair	50-79	Corrective repairs include deck, beam, and substructure repairs, fixing settled approaches, and repairing collision damage.
Poor	1-49	Major rehabilitation and replace includes deck, beam, or substructure replacements or replacement of the entire bridge.

Condition Level

The State performs complete assessments on an annual basis ending Apri1 1 of each year. The established condition level is to maintain 50 percent of the bridges with a rating of “good” and no more than 15 percent with a rating of “poor.” The following table reports the results of the bridges assessed for the past three years:

Rating	2002	2001	2000
Good	70.4%	67.0%	76.5%
Poor	2.8%	5.0%	10.8%

The following table presents the State’s estimated amounts needed to maintain and preserve the roads and bridges at or above the established condition levels addressed above, and the amounts actually spent for each of the past five reporting periods (in thousands):

FISCAL YEAR	ESTIMATED SPENDING	ACTUAL SPENDING
2002	$ 285,044	$ 330,894
2001	$ 281,497	$ 246,399
2000	$ 251,039	$ 249,500
1999	$ 238,970	$ 263,568
1998	$ 238,302	$ 245,443

APPENDIX B

DEMOGRAPHIC AND ECONOMIC DATA REGARDING THE STATE OF UTAH

GENERAL INFORMATION

This appendix has been summarized from information which is contained in the *2003 Economic Report to the Governor* (the "2003 ERG") and on data from the 2002 calendar year. *However, the Governor's Office of Planning and Budget ("GOPB") has updated the various sections contained in this appendix with the latest information available.* The 2003 ERG is prepared by the Demographic and Economic Analysis Section of the GOPB. Among other functions, the GOPB is to serve as the lead agency for the U.S. Census Bureau's State Data Center Program. Much of the economic data in 2003 ERG has been generated by members of the State Council of Economic Advisors. A complete copy of the 2003 ERG may be obtained on the internet or by contacting GOPB, 801.538.1027, fax 801.538.1547, email lward@utah.gov.

TOPOGRAPHICAL INFORMATION

On January 4, 1896, the State became the 45th state of the United States of America. Ranking 12th among the states in total area, the State contains approximately 82,143 square miles. It ranges in elevation from a low of 2,200 feet above sea level in the south, to a high of 13,500 feet above sea level in the northern mountains. The State is located in an arid region (precipitation ranks as the 2nd lowest in the nation, behind Nevada). Home to deserts, plateaus, the Great Basin and the Rocky Mountains, the State is known for its scenic beauty and the diversity of its outdoor recreation areas. As of April 2001, land ownership in the State was distributed as 63.9% federal, 10.1% State, and 26% other (American Indian Reservation, Municipal, State Sovereign Lands, and Private).

ECONOMIC INDICATORS

Demographics

The State's July 1, 2002 population was estimated to be 2,338,761 persons, increasing 1.9% from 2001. Although the State continues to experience net in–migration, natural increase accounts for the majority of the State's population growth. The State's population growth is characterized by a high birth rate and low death rate, both at record levels for the State in 2002.

According to the 2000 Census, the State's population increased 29.6% from1990 to 2000, growing twice as fast as the U.S. over the decade. The State ranked 4th among states in population growth from 1990 to 2000. The State also continues to have a distinctive demographic profile: the population is younger, women tend to have more children, people on average live in larger households, and people tend to survive to older ages in comparison to other states.

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State Population

Year	Population	% Change From Prior Period
2002 Estimate (1)	2,338,761	4.7%
2000 Census	2,233,169	29.6
1990 Census	1,722,850	17.9
1980 Census	1,461,037	37.9
1970 Census	1,059,273	18.9
1960 Census	890,627	29.3
1950 Census	688,862	25.2
1940 Census	550,310	8.1

(1) As of July 1, 2002

(Source: 2003 ERG.)

Components of Population Change in the State

Fiscal Year	Births	Deaths	Natural Increase	Net In-Migration	Population Change
2002	48,041	12,662	35,379	7,411	42,790
2001	47,688	12,437	35,251	14,167	49,418
2000	46,880	11,953	34,927	18,612	53,539
1999	45,434	11,636	33,798	17,584	51,382
1998	44,126	11,648	32,478	9,745	42,223
1997	42,512	11,249	31,263	25,253	56,516
1996	40,495	11,001	29,494	18,171	47,665
1995	39,064	10,581	28,483	20,024	48,507
1994	37,623	10,411	27,212	30,116	57,328
1993	36,738	10,055	26,683	24,561	51,244

(Source: 2003 ERG.)

Significant Characteristics of the State's Population

Category	Ranking	Comments
State population (2000)	Ranked as the 34th state	out of 50 states
age (under five years old)	Ranked highest in the U.S.	9.4%
age (five to 17)	Ranked 2nd highest in the U.S.	22.8%
age (18 to 64)	Ranked 2nd lowest in the U.S.	59.3%
age (over age 65)	Ranked 2nd lowest in the U.S.	8.5%
Median age (2000)	Ranked youngest in the U.S.	27.1 years
Fertility rate (2001)	Ranked highest in the U.S.	2.51 births/woman
Birth rate (2000)	Ranked highest in the U.S.	21.9 births/1,000 population
Death rate (2000)	Ranked 2nd lowest in the U.S.	5.7 deaths/1,000 population
Dependency ratio (2000)	Ranked 2nd in the U.S.	68.6 per 100 of working age
Population in metropolitan areas (2000)	Ranked 36th highest in U.S.	59.7%
Household size (2000)	Ranked largest in the U.S.	3.13 persons/household

(Sources: U.S. Bureau of the Census and GOPB)

Employment, Wages And Labor Force

The State's economic slowdown in 2002 parallels that of the U.S., and continues to reflect the state of the economy that has characterized the post September 11th period. One consequence of the recent economic slump has been a significant loss of jobs. Nonfarm employment fell by over 11,000 net jobs, reflecting a contraction rate of 1%. The State's 2002 unemployment rate of 6.0% is the highest in over a decade. On average, there were 67,660 people unemployed in 2002. This trend is expected to reverse in 2003 with an anticipated gradual recovery of the economy.

The 2002 Olympic Winter Games provided a temporary but timely relief for the State. The consistent decline in job–growth stalled in January and February, only to continue through the remainder of 2002.

The rapid expansion of the high technology sector during the 1990s stalled at the end of the decade, and by 2001, suffered a major decline. This impacted other areas of the economy at both the national and state level. Rapid and excessive growth during the initial period in the absence of equally high demand resulted in overcapacity and as a result, a significant contraction of the high technology sector in recent years. It appears that this trend will continue into 2003.

Current Unemployment Rates

Current Unemployment Rate (1)	State	U.S.
March 2003	5.8%	5.8%
March 2002	6.2%	5.7%

(1) Seasonally adjusted.

(Source: Utah Department of Workforce Services, Workforce Information.)

Average Annual Employment and Unemployment Rate for Utah and the U.S.

	Utah		Unemployment Rate		Utah Unemployment Rate as % of
Year	Civilian Labor Force	Total Employed	Utah	U.S.	U.S. Rate
2003 (f)	1,141,000	1,080,530	5.3%	5.7%	93%
2002 (f)	1,127,660	1,060,000	6.0	5.9	102
2001	1,115,380	1,066,700	4.4	4.8	92
2000	1,104,200	1,068,400	3.2	4.0	80
1999	1,086,100	1,045,500	3.7	4.2	88
1998	1,064,200	1,024,200	3.8	4.5	84
1997	1,040,000	1,007,700	3.1	4.9	63
1996	1,012,000	976,800	3.5	5.4	65
1995	986,600	951,400	3.6	5.6	64
1994	974,500	938,000	3.7	6.1	61

(f) forecast.

(Source: 2002 ERG.)

Employment

Utah Labor Force, Nonagricultural Jobs, and Wages

Selected Years (in thousands)

	2003 (f)	2002 (p)	2001	2000	1999	1998	1997	% Change 02–03	% Change 01–02	% Change 00–01	% Change 99–00	% Change 98–99	% Change 97–98
Civilian labor force	1,141.0	1,127.7	1,115.4	1,104.2	1,086.1	1,064.2	1,040.0	1.2	1.1	1.0	1.7	2.1	2.3
Employed	1,080.5	1,060.0	1,066.7	1,068.4	1,045.5	1,024.2	1,007.7	1.9	(0.6)	(0.2)	2.2	2.1	1.6
Unemployed	60.5	67.7	48.7	35.8	40.6	40.0	32.3	(10.6)	39.0	36.0	(11.8)	1.5	23.8
Unemployment rate	5.3%	6.0%	4.4%	3.2%	3.7%	3.8%	3.1%	–	–	–	–	–	–
Nonagricultural jobs (thousands)	1,078.2	1,070.4	1,081.7	1,074.9	1,048.5	1,023.5	994.0	0.7	(1.0)	0.6	2.5	2.4	3.0
Mining	6.5	6.7	7.2	7.4	7.2	8.0	8.3	(3.0)	(6.9)	(2.7)	2.8	(10.5)	(3.0)
Construction	62.3	65.0	71.6	72.2	72.8	68.3	64.5	(4.2)	(9.2)	(0.8)	(0.8)	6.7	5.8
Manufacturing	115.2	114.8	122.1	125.7	126.7	133.4	132.9	0.3	(6.0)	(2.9)	(0.8)	(5.0)	0.4
Trade, transportation, utilities	215.3	214.5	219.9	218.9	213.7	58.4	56.0	0.4	(2.5)	0.5	2.4	265.7	4.4
Information	31.5	31.3	33.5	34.9	32.6	58.4	56.0	0.6	(6.6)	(4.0)	7.1	(44.2)	4.4
Financial sactivity	63.2	63.4	62.2	58.8	59.4	58.4	56.0	(0.3)	1.9	5.8	(1.0)	1.7	4.4
Professional and business services	133.2	133.5	136.6	139.3	133.1	58.4	56.0	(0.2)	(2.3)	(1.9)	4.7	127.7	4.4
Education and health services	116.1	113.4	109.5	101.8	98.1	58.4	56.0	2.4	3.6	7.6	3.8	67.9	4.4
Leisure and hospitality	105.8	103.4	98.3	96.9	94.3	58.4	56.0	2.3	5.2	1.4	2.8	61.4	4.4
Other services	33.3	32.1	30.5	28.8	27.2	58.4	56.0	3.7	5.2	5.9	5.9	(53.5)	4.4
Government	195.8	192.3	190.1	190.2	184.9	175.6	171.8	1.8	1.2	(0.1)	2.9	5.3	2.2
Transportation, communication and utilities	–	–	–	–	–	58.4	56.0	–	–	–	–	–	4.4
Trade	–	–	–	–	–	244.0	238.3	–	–	–	–	–	2.4
Finance, insurance and real estate	–	–	–	–	–	55.3	52.6	–	–	–	–	–	5.1
Services	–	–	–	–	–	280.4	269.7	–	–	–	–	–	4.0
Nonagricultural wages (millions)	$33,600	$32,540	$32,058	$30,975	$28,828	$27,105	$25,215	3.3	1.5	3.5	7.4	6.4	7.5
Average monthly wage	$2,597	$2,533	$2,470	$2,401	$2,291	$2,207	$2,114	2.5	2.6	2.9	4.8	3.8	4.4

(f) forecast; (p) Preliminary; subject to change

(Source: 2003 ERG.)

Largest Nonagricultural Employers (1)

Employer	Business	Approximate Employment
State of Utah	State government	22,500
Intermountain Health Care	Hospitals and clinics	22,000
Brigham Young University	Higher education	18,000
University of Utah (Including Hospital)	Higher education	18,000
Hill Air Force Base	Military installation	11,500
Jordan School District.	Public education	9,000
Wal–Mart Stores	Department store	9,000
Convergys	Telemarketing	8,000
Granite School District	Public education	8,000
Davis County School District	Public education	6,500
Salt Lake County	County government	6,000
Utah State University	Higher education	6,000
Alpine School District	Public education	5,500
Novus (Discover Card)	Consumer loans	5,500
Smith's Foods King	Food stores	5,500
U.S. Postal Service	Mail distribution	5,500
Albertson's	Food stores	5,000
Internal Revenue Service	Federal government	5,000
Autoliv Asp (Morton International)	Mfg. vehicle parts	4,500
Delta Airlines Inc.	Air transportation	4,500
Salt Lake City School District	Public education	4,000
Icon Health & Fitness	Mfg. Exercise equipment	3,500
United Parcel Service	Courier service	3,500
Weber County School District	Public education	3,500
Zions First National Bank	Banking	3,500
ATK Thiokol Propulsion	Aerospace equipment mfg.	3,000
Qwest Communications	Telephone service/communications	3,000
Salt Lake City	Local government	3,000
Salt Lake Community College	Higher education	3,000
Weber State University	Higher education	3,000
K–Mart Corporation	Department stores	2,500
Nebo School District	Public education	2,500
Provo City School District	Public education	2,500
Dick Simon Trucking	Trucking	2,500
Utah Valley State College	Higher education	2,500
Communication & Commerce	Telemarketing	2,000
Fred Meyer	Department stores	2,000
Home Depot	Building supply store	2,000
J.C. Penney Company	Department stores	2,000
Kelly Services	Temporary employment placement	2,000
Kennecott Minerals	Copper mining and smelting	2,000
Macey's Inc.	Food stores	2,000
Novell	Computer software	2,000
Ogden City School District	Public education	2,000

(1) Approximate employment as of December 2001. Includes those firms with 2,000 and more employees. The Church of Jesus Christ of Latter–day Saints ("LDS") remains one of the State's largest employers; however, the Church does not disclose employment numbers.

Largest Nonagricultural Employers (1)–continued

Employer	Business	Approximate Employment
RC Willey Home Furnishings	Home furnishing store	2,000
Scottish Power (PacificCorp/Utah Power)	Electric generation/distribution	2,000
Shopko	Department stores	2,000
Sinclair Oil	Hotels and ski resort	2,000
Skywest Airlines	Air transportation	2,000
Super Target Stores	Department stores	2,000
Utah Transit Authority	Public transportation	2,000
Washington County School District	Public education	2,000
Wells Fargo Bank NW, N.A.	Banking	2,000

(1) Approximate employment as of December 2001. Includes those firms with 2,000 and more employees. The Church of Jesus Christ of Latter–day Saints ("LDS") remains one of the State's largest employers; however, the Church does not disclose employment numbers.

(Source: 2003 ERG.)

Personal Income

The State's 2002 forecasted total personal income of $56.4 billion is up 2.7% from the 2001 total. This is below the U.S. growth forecast of 3.0%. The State's 2002 per capita income was forecasted at $24,750, an increase of 2.4% over the 2001 estimate. The State's 2001 per capita income ranks 45th among the states.

Total Personal Income (in millions)

	Utah		United States	
Year	Amount	% Change	Amount	% Change
2002 (f)	$56,366	2.7%	$8,939,000	3.0%
2001 (p)	54,884	4.3	8,678,255	3.3
2000	52,623	7.6	8,398,796	8.0
1999	48,923	4.6	7,779,511	4.9
1998	46,781	7.1	7,418,497	7.1
1997	43,696	8.3	6,928,545	6.0
1996	40,354	8.3	6,538,103	5.6
1995	37,278	7.8	6,192,235	5.3
1994	34,579	8.2	5,878,362	5.0
1993	31,950	7.3	5,598,446	4.1

(f) forecast; (p) preliminary

(Source: 2003 ERG.)

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Components of the State's Total Personal Income

	(in millions)				
	2001 (p)	2001 % of Total	% change 2000–01	2000 (r)	1999 (r)
Total personal income	$54,884	100.0%	4.3%	$52,622	$48,923
Total Earnings by place of work	42,229	76.9	3.7	40,706	38,071
Less personal cont. for social insurance	2,406	4.4	4.9	2,293	2,170
Plus residential adjustment	26	0.0	18.2	22	24
Equals: earnings by residence	39,850	72.6	3.7	38,435	35,925
Plus dividends, interest and rent	9,189	16.7	3.8	8,854	7,940
Plus transfer payments	5,845	10.6	9.6	5,334	5,058
Components of earnings	42,229	76.9	3.7	40,706	38,071
Wages and salaries	33,792	61.6	3.5	32,660	30,410
Other labor income	4,201	7.7	6.1	3,959	3,710
Proprietors' income	4,236	7.7	3.6	4,087	3,951
Farm proprietors' income	188	0.3	123.8	84	154
Nonfarm proprietors' income	4,048	7.4	1.1	4,003	3,797
Earnings by industry	42,229	76.9	3.7	40,706	38,071
Farm	297	0.5	56.3	190	251
Nonfarm	41,932	76.4	3.5	40,516	37,820
Private	34,006	62.0	2.9	33,057	28,992
Agriculture services, forestry, etc.	203	0.4	10.3	184	157
Mining	479	0.9	2.4	468	427
Construction	3,227	5.9	2.1	3,162	3,036
Manufacturing	5,263	9.6	0.1	5,260	5,028
Durable goods	3,645	6.6	(1.9)	3,714	3,528
Nondurable goods	1,618	2.9	4.6	1,547	1,500
Transportation and public utilities	3,064	5.6	2.6	2,985	2,789
Wholesale trade	2,324	4.2	(0.9)	2,345	2,172
Retail trade	4,087	7.4	2.8	3,975	3,908
Finance, insurance, real estate	3,355	6.1	6.6	3,148	2,981
Services	12,006	21.9	4.1	11,531	10,393
Government	7,926	14.4	6.3	7,459	6,928
Federal, civilian	2,068	3.8	4.3	1,982	1,776
Military	454	0.8	7.1	424	393
State	2,199	4.0	7.1	2,053	1,906
Local	3,205	5.8	6.8	3,000	2,852

(p) preliminary; (r) revised.

(Source: 2003 ERG.)

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Per Capita Personal Income

Year	Income Per Capita Utah	Income Per Capita U.S.	Annual % Change Utah	Annual % Change U.S.	Utah as a % of U.S.
2002 (f)	$24,750	$31,100	2.4%	2.1%	79.6%
2001 (p)	24,180	30,472	3.0	2.4	79.4
2000	23,476	29,770	5.7	6.8	78.9
1999	22,202	27,880	2.7	3.6	79.6
1998	21,624	26,909	4.9	5.8	80.4
1995	18,514	23,272	–	–	79.6
1990	14,996	19,584	–	–	76.6
1985	11,846	14,705	–	–	80.6
1980	8,464	10,183	–	–	83.1

(f) forecast; (p) preliminary.

(Sources: 2003 ERG.)

Gross State Product

Gross State Product ("GSP") is the market value of final goods and services produced by the labor and property located in a State. It is the regional counterpart to the national Gross Domestic Product ("GDP"). Conceptually, GSP is gross output less intermediate inputs.

Total Gross State Product
(in millions of current dollars)

Year	Utah Amount	Utah % Change	United States Amount	United States % Change
2001	$70,409	2.9%	$10,082,151	2.6%
2000	68,430	9.3	9,824,639	5.9
1999	62,635	6.0	9,274,319	5.6
1998	59,084	7.3	8,781,500	5.6
1997	55,070	6.9	8,318,400	6.5
1996	51,523	11.3	7,813,200	5.6
1995	46,290	–	7,400,500	–
1990	31,359	–	5,803,200	–
1985	24,115	–	4,213,000	–
1980	15,494	–	2,795,600	–

GSP is not available for 2002.

(Source: U.S. Department of Commerce, Bureau of Economic Analysis ("BEA").)

Gross Taxable Sales

In 2002, taxable sales growth is expected to be flat. (Taxable sales consist of final sales of most tangible personal property in the State. Taxable sales of selected services such as hotel and lodging, automobile leases, amusements and repairs to tangible personal property are also taxable in the State.) This zero–growth rate is less than what was predicted for 2001. It was predicted that a flat first half would be succeeded by two quarters of 3 to 5% growth, but a rebound in business investment has not occurred. The zero–growth rate is the lowest rate since 1986 and 1987 when taxable sales growth fell about 1.5% each year. Following four years of 10% to 12% yearly growth rates, taxable sales slowed down to growth rates between 4% and 7% between 1997 and 2000. The U.S. recession in 2001 contributed to the 2.4% gain in taxable sales. In 2002, first quarter sales rose only 0.6% despite an infusion from the 2002 Olympic Winter Games which appeared to jump start department store, miscellaneous shopping goods, and hotel sales. Second quarter sales fell almost 2%, and third quarter taxable sales are expected to be flat. Declining employment and lower wage gains have combined with falling business investment to dampen taxable sales in 2002. Following a slow start in the first quarter of 2003, the State expects taxable sales to increase 4% in the second through fourth quarters. This, of course, assumes no significant impacts from an Iraq War and no new terrorist attacks commence.

Taxable sales can be dissected into three major components:

Retail Trade at $18.4 billion, which represents about 57% of taxable sales, is anticipated to grow 4.1% in 2002, better than the 2.5% gain in 2001, but well below the last 10–year average of 7.1%.

Taxable Business Investment and Utility Sales, at $8.1 billion, represents 25% of taxable sales and is expected to drop 6% in 2002.

Taxable Services, at $4.6 billion, was anticipated to decline 3% in 2002 and represent 14% of taxable sales. The 3% decline is in contrast to the 8.7% average gains since 1991.

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Gross Taxable Sales

(millions of dollars)

Calendar Year	Retail Sales	% Change	Business Investment Purchases	% Change	Taxable Services	% Change	All Other	% Change	Total Gross Taxable Sales	% Change
2003 (f)…..	$19,130	3.8 %	$8,345	3.3 %	$4,607	0.1 %	$ 1,494	7.3 %	$ 33,576	3.3 %
2002 (e) …	18,427	4.1	8,076	(6.2)	4,604	(2.1)	1,393	0.9	32,500	0.3
2001 ……..	17,709	2.5	8,611	2.9	4,702	(0.9)	1,380	10.4	32,402	2.4
2000……..	17,278	4.8	8,372	6.8	4,746	9.1	1,250	(5.0)	31,646	5.5
1999……..	16,493	5.3	7,839	1.4	4,351	5.6	1,316	15.7	29,999	4.7
1998……..	15,657	5.3	7,729	9.7	4,122	10.7	1,137	(4.3)	28,645	6.8
1997……..	14,873	3.3	7,044	2.4	3,724	3.6	1,188	22.7	26,828	3.8
1996……..	14,404	10.1	6,878	10.4	3,594	12.1	968	(11.4)	25,844	9.5
1995……..	13,080	8.1	6,231	11.1	3,205	14.4	1,093	7.3	23,609	9.7
1994……..	12,097	10.0	5,609	13.2	2,802	12.1	1,019	14.2	21,527	11.3

(e) estimate; (f) forecast.

(Source: 2003 ERG.)

Construction And Housing

The construction sector was stronger than expected in 2002. The value of permit–authorized construction (residential, nonresidential and additions, alterations and repairs) in the State was $3.7 billion, only 4% below $3.9 billion in 2001. Despite the recession, the value of residential construction reached $2.4 billion in 2002, an all–time record high. The number of new dwelling units that received building permits was 19,000. The residential sector benefited from low interest rates, which fell from 7% at the start of the year to 6% by midsummer, providing a significant financial incentive for new homebuyers. Lower interest rates did not give support to the nonresidential sector. Nonresidential construction activity fell 7% in 2002 to $900 million. However, nonresidential valuation finished higher than projected, gaining strength in the latter half of the year.

Permit–Authorized Construction

		Construction Value (millions of dollars)			
Year	Total Units	Residential	Nonresidential	Renovations	Total Valuation
2002 (e)	19,000	$2,400.0	$ 900.0	$400.0	$3,700.0
2001	19,675	2,352.7	970.0	562.8	3,885.4
2000	18,154	2,140.1	1,213.0	583.3	3,936.0
1999	20,350	2,238.0	1,195.0	537.0	3,971.0
1998	21,743	2,188.7	1,148.4	461.3	3,798.4
1997	20,687	1,943.5	1,370.9	407.1	3,721.6
1996	23,737	2,104.5	951.8	386.3	3,442.6
1995	21,558	1,854.6	832.7	409.0	3,096.3
1994	19,747	1,730.1	772.2	341.9	2,844.2
1993	17,804	1,504.4	463.7	337.3	2,305.4

(e) estimate.

(Source: 2003 ERG.)

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APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon the delivery of the Bonds, Ballard Spahr Andrews & Ingersoll, LLP, Bond Counsel to the State, proposes to issue its final approving opinion in substantially the following form:

We have acted as bond counsel for the State of Utah (the "State") in connection with the issuance by the State of its $407,405,000 General Obligation Bonds, Series 2003A (the "Bonds") pursuant to (i) resolutions of the State Bonding Commission of the State of Utah (the "Commission") adopted on May 8, 2003 (the "Parameters Resolution") and on June 11, 2003 (the "Bond Resolution", and collectively with the Parameters Resolution, the "Resolutions"), which provide for the issuance of the Bonds; (ii) the Bond Authorization Acts (as defined in the Bond Resolution); and (iii) other applicable provisions of law. The Bonds are being issued to (a) refund certain outstanding general obligation bonds of the State, (b) provide funds to the State or its agencies to pay all or part of the costs of acquiring and constructing certain capital projects and (c) pay costs and expenses incident to the issuance of the Bonds.

Our services as bond counsel have been limited to the preparation of the legal proceedings and supporting certificates authorizing the issuance of the Bonds under the applicable laws of the State and to a review of the transcript of such proceedings and certificates. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certificates of public officials furnished to us without undertaking to verify the same by independent investigation. Our examination has been limited to the foregoing as they exist or are in effect as of the date hereof. Our opinion is limited to the matters expressly set forth herein, and we express no opinion concerning any other matters.

The Internal Revenue Code of 1986, as amended (the "Code"), contains a number of requirements and restrictions which apply to the Bonds. The State has covenanted to comply with all such requirements and restrictions. Failure to comply with certain of such requirements and restrictions may cause interest on the Bonds to become includible in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. We have assumed, without undertaking to determine or confirm, continuing compliance by the State with such requirements and restrictions in rendering our opinion regarding the tax-exempt status of interest on the Bonds.

Based on our examination and the foregoing, we are of the opinion as of the date hereof and under existing law, as follows:

1. The Resolutions have been duly adopted by the Commission and constitute valid and binding obligations of the State enforceable upon the State.

2. The Bonds are valid and binding general obligations of the State for the payment of which the full faith, credit and resources of the State are pledged, and for the payment of which ad valorem taxes may be levied on all property within the boundaries of the State subject to State taxation without limit as to rate or amount.

3. Based on an analysis of currently existing laws, regulations, decisions and interpretations, interest on the Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations, but such interest is included in earnings and profits in computing the federal alternative minimum taxes imposed on certain corporations.

4. Interest on the Bonds is exempt from State of Utah individual income taxes under presently existing law.

In rendering our opinion, we wish to advise you that:

(a) The rights of the holders of the Bonds and the enforceability thereof and of the documents identified in this opinion may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases;

(b) We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement or any other offering material relating to the Bonds; and

(c) Although we have rendered an opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a bondholder's tax liability. The nature and extent of these other tax consequences will depend upon the bondholder's particular tax status and the bondholder's other items of income or deduction. We express no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Respectfully submitted,

APPENDIX D

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

FOR THE PURPOSE OF PROVIDING
CONTINUING DISCLOSURE INFORMATION
UNDER PARAGRAPH (B)(5) OF RULE 15C2-12

JUNE 26, 2003

THIS CONTINUING DISCLOSURE UNDERTAKING (the *"Agreement"*) is executed and delivered by the State of Utah (the *"State"*) in connection with the issuance of $407,405,000 General Obligation Bonds, Series 2003A (the *"Bonds"*). The Bonds are being issued pursuant to a Resolution adopted by the State Bonding Commission on June 11, 2003 (the *"Resolution"*). Capitalized terms not defined herein shall have the meaning ascribed thereto in the Resolution.

In consideration of the issuance of the Bonds by the State and the purchase of such Bonds by the beneficial owners thereof, the State covenants and agrees as follows:

Section 1. PURPOSE OF THIS AGREEMENT. This Agreement is executed and delivered by the State as of the date set forth above, for the benefit of the beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with the requirements of the Rule (as defined below). The State represents that it will be the only obligated person with respect to the Bonds at the time the Bonds are delivered to the Participating Underwriters and that no other person is expected to become so committed at any time after issuance of the Bonds.

Section 2. DEFINITIONS. The terms set forth below shall have the following meanings in this Agreement, unless the context clearly otherwise requires.

Annual Financial Information means the financial information and operating data described in *Exhibit I*.

Annual Financial Information Disclosure means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

Audited Financial Statements means the audited financial statements of the State prepared pursuant to the standards and as described in *Exhibit I*.

Commission means the Securities and Exchange Commission.

Dissemination Agent means any agent designated as such in writing by the State and which has filed with the State a written acceptance of such designation, and such agent's successors and assigns.

Exchange Act means the Securities Exchange Act of 1934, as amended.

Final Official Statement means the Final Official Statement relating to the Bonds dated June 11, 2003.

Material Event means the occurrence of any of the Events with respect to the Bonds set forth in Exhibit II that is material, as materiality is interpreted under the Exchange Act.

Material Events Disclosure means dissemination of a notice of a Material Event as set forth in Section 5.

MSRB means the Municipal Securities Rulemaking Board.

NRMSIRs means, as of any date, all Nationally Recognized Municipal Securities Information Repositories then recognized by the Commission for purposes of the Rule. As of the date of this Agreement, the NRMSIRs are:

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, New Jersey 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
http://www.bloomberg.com/markets/muni_contactinfo.html
Email: Munis@Bloomberg.com

DPC Data Inc.
One Executive Drive
Fort Lee, New Jersey 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
http://www.dpcdata.com
Email: nrmsir@dpcdata.com

FT Interactive Data
Attn: NRMSIR
100 William Street
New York, New York 10038
Phone: (212) 771-6999
Fax: (212) 771-7390 (Secondary Market Information)
(212) 771-7391 (Primary Market Information)
http://www.interactivedata.com
Email: NRMSIR@FTID.com

Standard & Poor's J. J. Kenny Repository
55 Water Street, 45th Floor
New York, New York 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
www.jjkenny.com/jjkenny/pser_descrip_data_rep.html
Email: nrmsir_repository@sandp.com

The names and addresses of all current NRMSIRs should be verified each time information is delivered to the NRMSIRs pursuant to this Agreement.

Participating Underwriter means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Bonds.

Rule means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

SID means the public or private repository designated by the State as the state information depository and recognized as such by the Commission for purposes of the Rule. As of the date of this Agreement there is no SID for the State of Utah.

Undertaking means the obligations of the State pursuant to Sections 4 and 5.

Section 3. CUSIP NUMBER. The CUSIP Numbers of the Bonds maturing in each of the following years are as follows:

JULY 1 OF THE YEAR	CUSIP NUMBER	JULY 1 OF THE YEAR	CUSIP NUMBER
2005	917542 LQ3	2011	917542 LW0
2006	917542 LR1	2012	917542 LX8
2007	917542 LS9	2013	917542 LY6
2008	917542 LT7	2014	917542 LZ3
2009	917542 LU4	2015	917542 MA7
2010	917542 LV2	2016	917542 MB5

Section 4. ANNUAL FINANCIAL INFORMATION DISCLOSURE. Subject to Section 9 of this Agreement, the State hereby covenants that it will disseminate its Annual Financial Information and its Audited Financial Statements (in the form and by the dates set forth in *Exhibit I*) to each NRMSIR and to the SID, if any. The State is required to deliver such information in such manner and by such time so that such entities receive the information by the dates specified.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the State will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment or waiver is made to this Agreement, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to each NRMSIR and the SID, if any) shall contain a narrative description of the reasons for such amendment or waiver and its impact on the type of information being provided.

Section 5. MATERIAL EVENTS DISCLOSURE. Subject to Section 9 of this Agreement, the State hereby covenants that it will disseminate in a timely manner Material Events Disclosure to each NRMSIR or to the MSRB, and to the SID, if any.

Section 6. DUTY TO UPDATE NRMSIRs/SID. The State shall determine, in the manner it deems appropriate, the names and addresses of the then existing NRMSIRs and SID each time it is required to file information with such entities.

Section 7. CONSEQUENCES OF FAILURE OF THE STATE TO PROVIDE INFORMATION. The State shall give notice in a timely manner to each NRMSIR or to the MSRB and to the SID, if any, of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the State to comply with any provision of this Agreement, the beneficial owner of any Bond may seek mandamus or specific performance by court order, to cause the State to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed a default under the Resolution, and the sole remedy under this Agreement in the event of any failure of the State to comply with this Agreement shall be an action to compel performance.

Section 8. AMENDMENTS; WAIVER. Notwithstanding any other provision of this Agreement, the State by resolution authorizing such amendment or waiver, may amend this Agreement, and any provision of this Agreement may be waived, if:

(a) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the State, or type of business conducted;

(b) This Agreement, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined either by parties unaffiliated with the State or any other obligated person (such as Bond Counsel).

Section 9. TERMINATION OF UNDERTAKING. The Undertaking of the State shall be terminated hereunder if the State shall no longer have any legal liability for any obligation on or relating to repayment of the Bonds under the Resolution. The State shall give notice in a timely manner if this Section is applicable to each NRMSIR or to the MSRB and to the SID, if any.

Section 10. DISSEMINATION AGENT. The State may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

Section 11. ADDITIONAL INFORMATION. Nothing in this Agreement shall be deemed to prevent the State from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Material Event, in addition to that which is required by this Agreement. If the State chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Agreement, the State shall have no obligation under this Agreement to update such information or include it in any future disclosure or notice of occurrence of a Material Event.

Section 12. BENEFICIARIES. This Agreement has been executed in order to assist the Participating Underwriters in complying with the Rule; however, this Agreement shall inure solely to the benefit of the State, the Dissemination Agent, if any, and the beneficial owners of the Bonds, and shall create no rights in any other person or entity.

Section 13. RECORDKEEPING. The State shall maintain records of all Annual Financial Information Disclosure and Material Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

Section 14. ASSIGNMENT. The State shall not transfer its obligations under the Resolution unless the transferee agrees to assume all obligations of the State under this Agreement or to execute an Undertaking under the Rule.

Section 15. GOVERNING LAW. This Agreement shall be governed by the laws of the State of Utah.

Dated as of the day and year first above written.

STATE OF UTAH

By____

Edward T. Alter,
Utah State Treasurer
215 State Capitol Building
Salt Lake City, Utah 84114

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED FINANCIAL STATEMENTS

"Annual Financial Information" means financial information and operating data for the most recently ended fiscal year generally consistent with and of the type contained in the Official Statement under the headings "DEBT STRUCTURE OF THE STATE OF UTAH" and "FINANCIAL INFORMATION REGARDING THE STATE OF UTAH".

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to each NRMSIR and to the SID, if any, or filed with the Commission. If the information included by reference is contained in a Final Official Statement, the Final Official Statement must be available from the MSRB; the Final Official Statement need not be available from each NRMSIR, the SID or the Commission. The State shall clearly identify each such item of information included by reference.

Annual Financial Information exclusive of Audited Financial Statements will be provided to each NRMSIR and to the SID, if any, not later than the January 15 following the end of the State's fiscal year which currently ends on June 30, beginning with the fiscal year ended June 30, 2003. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included.

"Audited Financial Statements" means the State's Basic Financial Statements. The State's Basic Financial Statements for the fiscal year ended June 30, 2002 are contained in *Appendix A* of the Official Statement.

Audited Financial Statements will be prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. Audited Financial Statements will be provided to each NRMSIR and to the SID, if any within 30 days after availability to the State.

If any change is made to the Annual Financial Information as permitted by Section 4 of the Agreement, the State will disseminate a notice of such change as required by Section 4.

EXHIBIT II

EVENTS WITH RESPECT TO THE BONDS FOR WHICH MATERIAL EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies
2. Non-payment related defaults
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions or events affecting the tax-exempt status of the security
7. Modifications to rights of security holders
8. Bond calls
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities
11. Rating changes

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APPENDIX E

BOOK–ENTRY SYSTEM

DTC, the world's largest depository, is a limited–purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non–U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post–trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book–entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non–U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly–owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non–U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book–entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

As long as the book–entry system is in effect, redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the State or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent, or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the State or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The State may decide to discontinue use of the system of book–entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book–entry system has been obtained from sources that the State believes to be reliable, but the State takes no responsibility for the accuracy thereof.

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THE GREAT SEAL OF THE STATE OF UTAH

INDUSTRY

1847

1896